

City of Wenatchee, Washington

Annual Financial Report For the Fiscal Year Ended December 31, 2006

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CITY OF WENATHCEE, WA
Annual Financial Report
For the Fiscal Year Ended December 31, 2006

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CITY OF WENATCHEE, WA
List of Elected and Appointed Officials

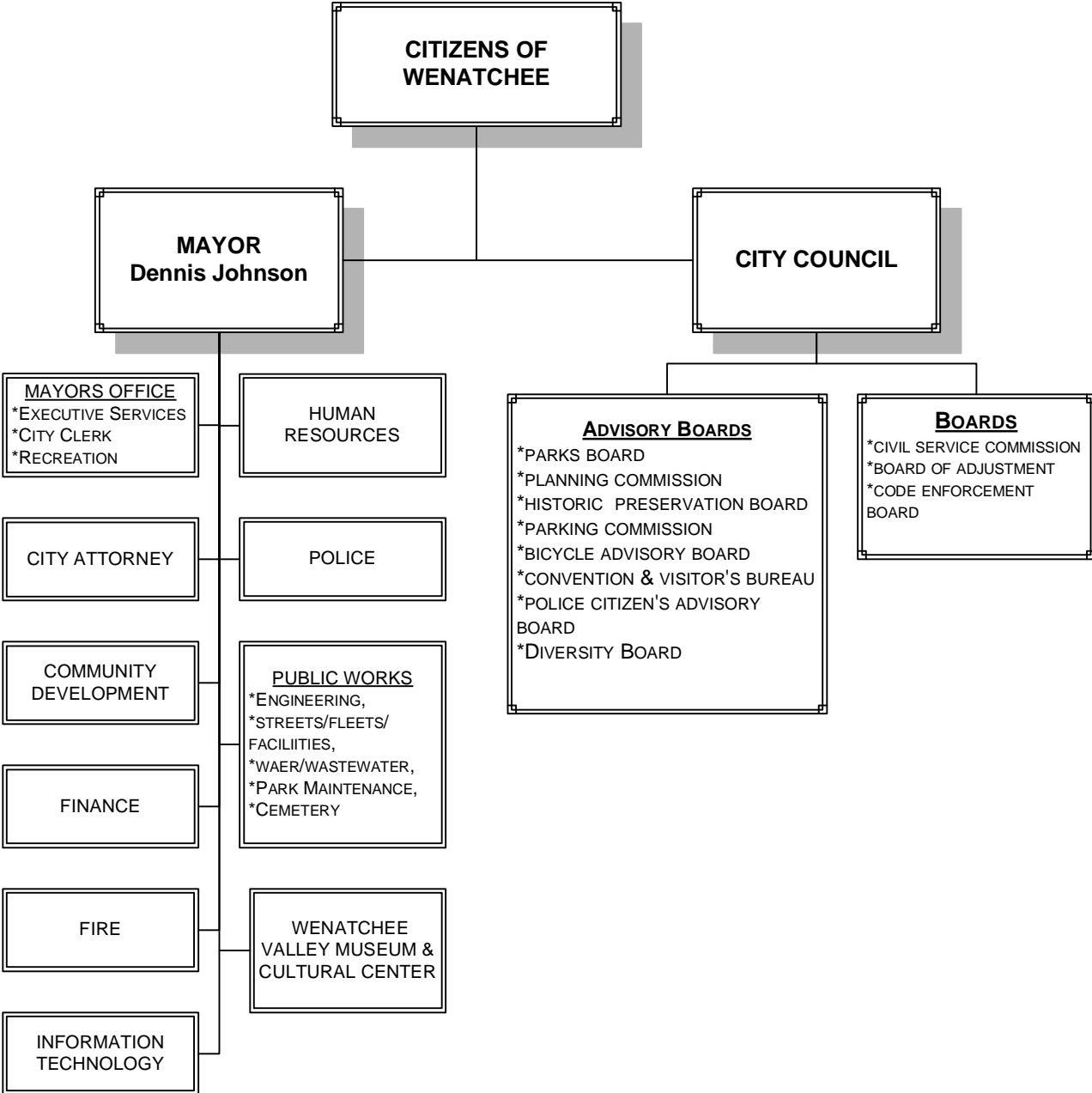
Elected Officials

Mayor	Dennis Johnson Second term - expires December 31, 2007
Council position #1	Frank Kuntz Second term - expires December 31, 2009
Council position #2	Craig Larsen Second term - expires December 31, 2009
Council position #3	Christine Filby First term - expires December 31, 2007
Council position #4	Doug Miller First term - expires December 31, 2009
Council position #5	Mark Kulaas First term - expires December 31, 2007
Council position #6	Don Gurnard Second term - expires December 31, 2007
Council position #7	Carolyn Case First term - expires December 31, 2007

Appointed Officials

Attorney	Steve Smith
Clerk	Vicki Reister
Community Development Director (interim)	Cyndy Butler
Executive Services Director	Allison Williams
Finance Director/Treasurer	Mark Calhoun
Fire Chief	Stan Smoke
Human Resource Director	Sandra Smeller
Museum Director	Brenda Abney
Police Chief	Tom Robbins
Public Works Director - Operations	Dan Frazier
Public Works Director - Engineering	Steve King

CITY OF WENATCHEE ORGANIZATIONAL CHART





Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

September 7, 2007

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

We have audited the accompanying financial statements of the the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

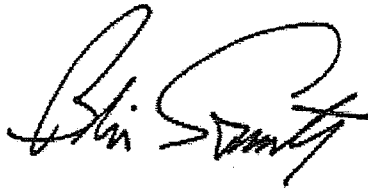
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Fund, and Arterial Street Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-1 through 2-10 and pension information on pages 6-1 through 6-3 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 7-1 through 7-22 and the Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on pages 8-1 through 8-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section and Capital Assets Used in the Operation of Governmental Funds on pages 9-1 through 9-4 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wenatchee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Wenatchee for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Wenatchee exceeded its liabilities at the close of the most recent fiscal year by \$76,303,181. Of this amount, \$19,362,577 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$6,867,468.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$35,403,785. Approximately 30.38% of the total amount, or \$10,403,785, is available for spending at the government's discretion.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$5,025,623, or 27.30% of total general fund expenditures of \$18,407,024.
- The City's total bond related long-term debt decreased by \$1,940,969 (6.90%) during the current fiscal year which was comprised of \$230,281 of bond issues and \$2,171,250 in bond payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Wenatchee's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic statements themselves.

Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of City of Wenatchee finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, accounts receivable and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (including police and fire), transportation, culture and recreation and economic environment. The business-type activities of the City include water and sewer services, storm drain, solid waste services and a cemetery.

The City has no separately identified component units included in the government-wide financial statements.

The government-wide financial statements can be found beginning on page 3-1.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wenatchee, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

During the fiscal year ended December 31, 2006, the City maintained 29 individual governmental funds. Information for the General Fund, Street Special Revenue Fund and Arterial Street Special Revenue Fund (each of which is considered to be a major fund) is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances, and data from the other 26 governmental funds are combined into a single, aggregated presentation (on pages 4-1 through 4-8 of this report). Individual fund data for each of the 26 nonmajor governmental funds is provided in the form of combining statements on pages 7-1 through 7-10 of this report.

The City adopts an annual appropriated budget for its governmental funds in accordance with state law on a fund level. Budgetary comparison statements have been provided for the general fund, street special revenue fund and arterial street fund to demonstrate compliance with this budget and may be located on pages 4-5 through 4-8.

Proprietary funds. The City of Wenatchee maintains two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer, Storm Drain, Regional Water, Solid Waste and Cemetery Funds.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal services funds to account for the maintenance and replacement of its fleet of vehicles, the maintenance of facilities, the administration of property and liability insurance and its management information systems. Because each of these services benefits both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements presented in Part 3 of this document.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewer, Storm Drain and Regional Water operations (each of which is a major fund), and aggregate all other nonmajor proprietary funds of the City with a separate column for both the enterprise and internal service funds (on pages 4-9 through 4-18 of this report).

Individual fund data for each of the nonmajor enterprise funds may be found on pages 7-11 through 7-14 of this report, and individual fund data for the internal service funds may be found on pages 7-15 through 7-22.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting

principles used for fiduciary funds are much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 4-19 and 4-20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5-1 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Wenatchee's progress in funding its obligation to provide pension benefits to certain retired firefighters. Required supplementary information can be found on pages 6-1 through 6-6 of this report, and a more detailed explanation of the Firemen's Pension Fund Schedule of Funding Progress can be found in footnote number 7, which is located in Part 5 of this document.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found in Parts 7 and 8 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wenatchee, assets exceeded liabilities by \$76,418,985 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (\$55,484,467 or 72.61%) is comprised of its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Wenatchee's Net Assets

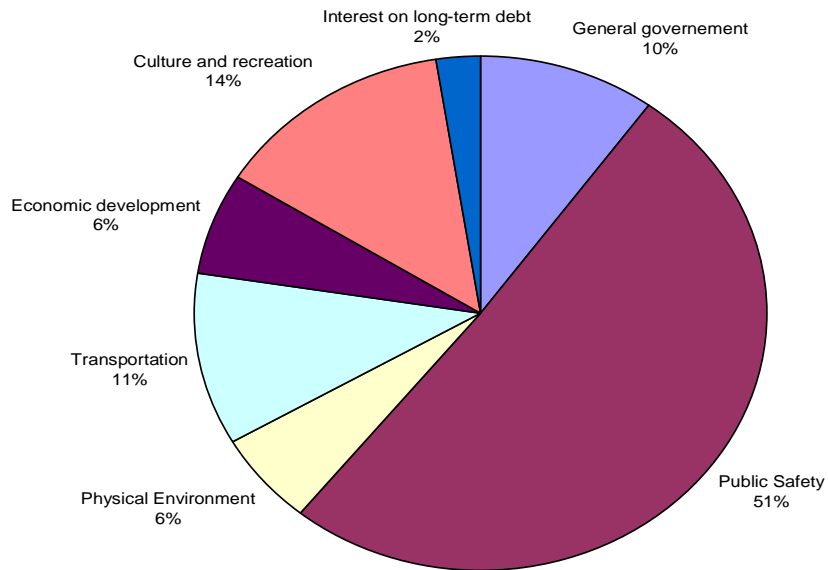
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 16,598,557	\$ 13,661,384	\$ 10,324,615	\$ 11,369,358	\$ 26,923,172	\$ 25,030,742
Capital assets	33,928,079	29,337,402	47,735,719	46,764,896	81,663,798	76,102,298
Total assets	<u>50,526,636</u>	<u>42,998,786</u>	<u>58,060,334</u>	<u>58,134,254</u>	<u>108,586,970</u>	<u>101,133,040</u>
Liabilities						
Long-term debt	12,433,252	10,553,711	16,489,251	17,566,384	28,922,503	28,120,095
Other liabilities	2,689,599	2,663,580	671,687	913,652	3,361,286	3,577,232
Total liabilities	<u>15,122,851</u>	<u>13,217,291</u>	<u>17,160,938</u>	<u>18,480,036</u>	<u>32,283,789</u>	<u>31,697,327</u>
Net Assets						
Invested in capital assets, net of related debt	24,648,901	18,783,691	31,334,055	29,198,512	55,982,956	47,982,203
Restricted/Designated	0	7,108,585	957,648	1,616,083	957,648	8,724,668
Unrestricted	10,754,884	3,889,219	8,607,693	8,839,623	19,362,577	12,728,842
Total net assets	<u>\$ 35,403,785</u>	<u>\$ 29,781,495</u>	<u>\$ 40,899,396</u>	<u>\$ 39,654,218</u>	<u>\$ 76,303,181</u>	<u>\$ 69,435,713</u>

City of Wenatchee's Changes in Net Assets

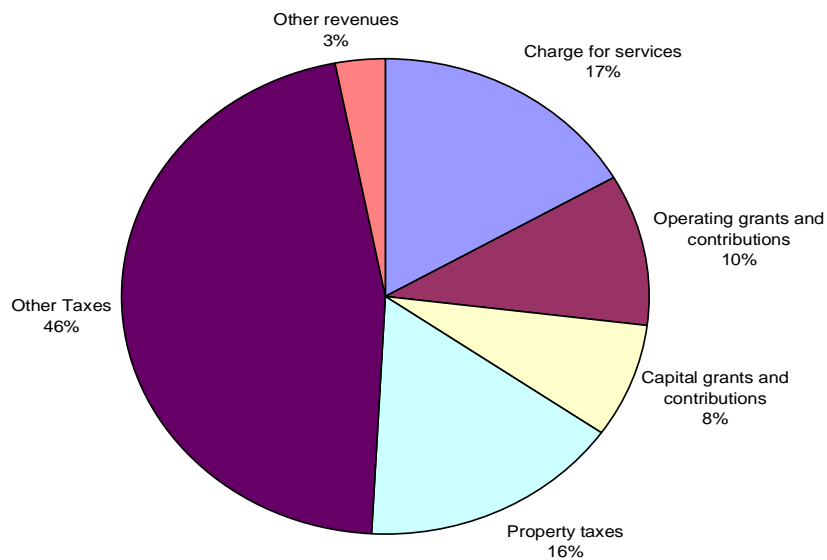
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charge for services	\$ 4,475,034	\$ 2,776,576	\$ 11,169,869	\$ 10,589,344	\$ 15,644,903	\$ 13,365,920
Operating grants and contributions	2,777,261	2,042,103	0	0	2,777,261	2,042,103
Capital grants and contributions	2,109,923	3,824,952	0	0	2,109,923	3,824,952
General revenues:						
Property taxes	4,323,314	4,198,019	0	0	4,323,314	4,198,019
Other Taxes	12,439,332	6,328,398	0	0	12,439,332	6,328,398
Other revenues	821,667	5,496,199	484,724	327,623	1,306,391	5,823,822
Total revenues	<u>26,946,531</u>	<u>24,666,247</u>	<u>11,654,593</u>	<u>10,916,967</u>	<u>38,601,124</u>	<u>35,583,214</u>
Expenses:						
General government	2,218,903	2,117,454	0	0	2,218,903	2,117,454
Public Safety	11,494,702	11,246,194	0	0	11,494,702	11,246,194
Physical Environment	1,283,570	1,213,983	0	0	1,283,570	1,213,983
Transportation	2,456,339	1,797,261	0	0	2,456,339	1,797,261
Economic development	1,445,619	1,198,567	0	0	1,445,619	1,198,567
Culture and recreation	3,044,121	2,734,726	0	0	3,044,121	2,734,726
Interest on long-term debt	554,944	529,194	0	0	554,944	529,194
Water/Sewer	0	0	6,048,518	5,046,031	6,048,518	5,046,031
Storm Drain	0	0	575,657	324,754	575,657	324,754
Regional Water	0	0	750,762	739,317	750,762	739,317
Solid Waste	0	0	1,634,730	1,472,498	1,634,730	1,472,498
Cemetery	0	0	252,041	223,778	252,041	223,778
Total expenses	<u>22,498,198</u>	<u>20,837,379</u>	<u>9,261,708</u>	<u>7,806,378</u>	<u>31,759,906</u>	<u>28,643,757</u>
Increase in net assets before transfers	4,448,333	3,828,868	2,392,885	3,110,589	6,841,218	6,939,457
Transfers	(69,056)	770,310	69,056	(770,310)	0	0
Increase in net assets	<u>4,379,277</u>	<u>4,599,178</u>	<u>2,461,941</u>	<u>2,340,279</u>	<u>6,841,218</u>	<u>6,939,457</u>
Net assets January 1,	29,781,495	25,560,202	39,654,218	36,938,723	69,435,713	62,498,925
Change in I/S allocation	1,243,013	-377,885	-1,216,763	375,216	26,250	-2,669
Net assets December 31,	<u>\$ 35,403,785</u>	<u>\$ 29,781,495</u>	<u>\$ 40,899,396</u>	<u>\$ 39,654,218</u>	<u>\$ 76,303,181</u>	<u>\$ 69,435,713</u>

Governmental Activities. Governmental activities increased the City of Wenatchee's net assets by \$4,379,277, thereby accounting for 64% of the total growth in the net assets of the City.

Expenses – Governmental Activities

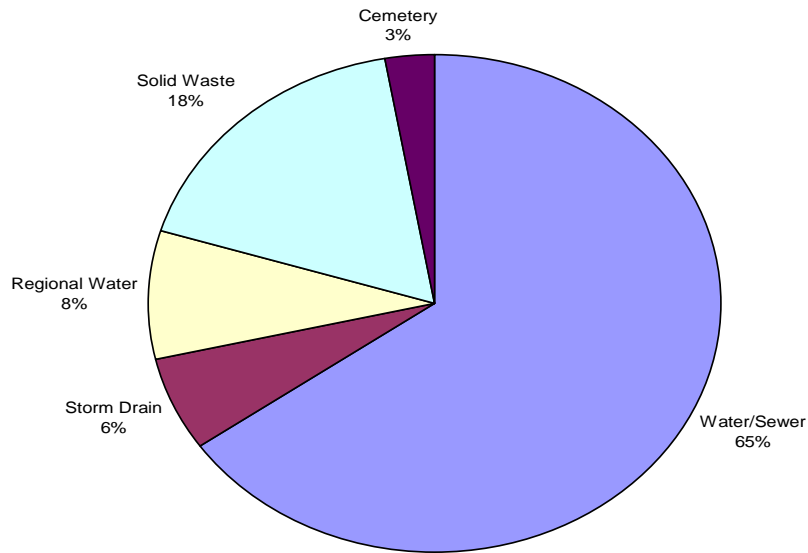


Revenues by Source – Governmental Activities

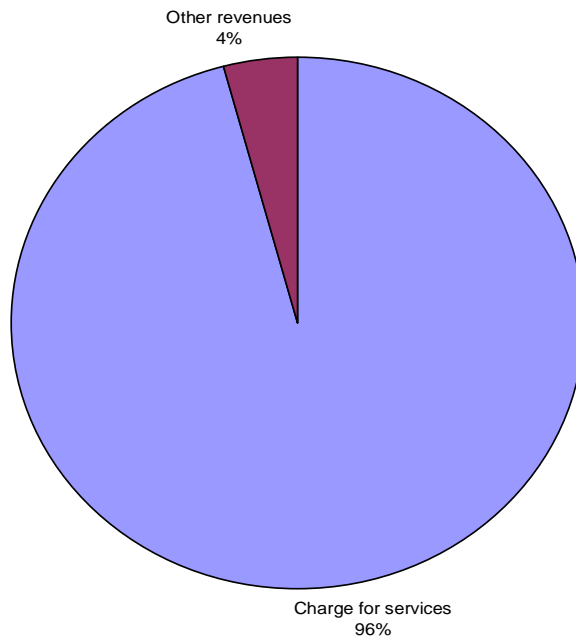


Business-type Activities. Business-type activities increased City of Wenatchee's net assets by \$2,461,941, accounting for 36% of the total growth in the government's net assets.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Wenatchee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The General Fund, Street Fund and Arterial Street Fund made up the City's major funds during the most recent fiscal year. Together these three funds account for \$6,815,243 (or 56.45%) of total governmental fund assets of \$12,073,828, and \$3,580,356 (or 45.15%) of the total governmental fund's fund balance of \$8,298,711.

The focus of City of Wenatchee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,298,711. Of this figure, \$7,573,762 (or 91.27%) constitutes unreserved fund balance that is available for spending within the designated funds. The remaining fund balance of \$724,949 is reserved to indicate that it is not available for new spending because it has already been committed for other purposes.

The general fund is the chief operating fund of the City of Wenatchee. At the end of the current fiscal year, the total fund balance of the General Fund was \$5,068,573 and the unreserved fund balance was \$5,025,623. As a measure of the general fund's liquidity, it may be useful to compare both the total fund balance and unreserved fund balance to total fund expenditures. As of December 31, 2006, the total fund balance represented 27.54% of total general fund expenditures and the unreserved fund balance represented 27.30% of total general fund expenditures. A recent history of reserve percentages is as follows:

Year	Total Fund Balance	Unreserved Fund Balance	Expenditures	Fund Balance as a % of Expenditures	
				Total	Unreserved
2006	5,068,573	5,025,623	18,407,024	27.54%	27.30%
2005	4,448,264	4,405,914	17,736,579	25.08%	24.84%
2004	4,429,570	4,412,220	16,408,176	27.00%	26.89%
2003	3,749,557	3,732,307	15,054,507	24.91%	24.79%

The fund balance of City's amended General Fund budget was anticipated to increase by \$4,375 in 2006 but actually increased by \$620,310. The \$615,933 difference in the budgetary impact on the fund balance was a result of a number of key factors and is in part explained by the following:

- Sales tax revenues were \$35,700 (0.5%) greater than anticipated.
- Utility tax revenues were \$27,000 (0.6%) greater than anticipated.
- Plan check and building permit revenue were \$66,500 (9.5%) greater than anticipated due to unforeseen construction activity.
- Engineering department services for construction projects in the street special revenue fund and water/sewer funds were \$67,700 greater than anticipated.
- Fines and forfeits generated by the police department were \$59,900 (10.0%) less than anticipated.
- Interest income was \$97,800 (100.9%) greater than anticipated.
- Recurring departmental expenditures were \$236,000 (1.3%) less than anticipated.
- Nonrecurring expenditures were \$107,500 (10.0%) less than anticipated.

The Street Fund budget was adopted and amended with the expectation that the fund balance would decrease by \$211,469 from \$762,067 at the end of 2005 to \$550,598 at the end of 2006. The actual fund

balance at the end of 2006 was \$675,955 which was \$125,357 greater than anticipated. The change in fund balance is the result of operating revenues being \$32,548 (19.2%) greater than anticipated and operating expenditures being \$92,809 (5.2%) less than appropriated.

The Arterial Street Fund budget was adopted and amended with the expectation that the fund balance would increase by \$119,543 from \$23,285 at the end of 2005 to \$142,828 at the end of 2006. The actual fund balance at the end of 2006 was (\$2,048,369) which was \$2,191,369 less than anticipated. The change in fund balance is largely the result of a 2006 land acquisition in the amount of \$2,495,792 that was financed by an interfund loan that for budget purposes had been reflected as revenue. Of the land that was acquired only a small portion is needed for City use. It is the City's intention to then sell the remainder of the parcel (likely in the latter part of 2007) and we anticipate the proceeds will eliminate the fund deficit. In terms of operations, revenues were \$877,863 (55.79%) less than anticipated and expenditures were \$954,717 (23.5%) less than anticipated.

Proprietary funds. The Water/Sewer Utility Fund, Storm Drain Utility Fund and the Regional Water Fund made up the City's major business-type funds during the most recent fiscal year. Together these three funds accounted for 98.78% of total enterprise fund assets and 98.65% of total enterprise fund net assets. The City of Wenatchee's proprietary funds reported on pages 4-8 through 4-17 of this report provide the same type of information found in the government-wide financial statements in Part 3, but in more detail.

Unrestricted net assets of the Water/Sewer Utility Fund at the end 2006 amounted to \$6,774,905 for a total decrease from 2005 of \$563,862.

Unrestricted net assets of the Storm Drain Utility at the end of 2006 amounted to \$899,388 for a total decrease from 2005 of \$62,285.

Unrestricted net assets of the Regional Water Fund at the end of 2006 amounted to \$763,621 for a total increase over 2005 of \$411,170.

GENERAL FUND BUDGETARY HIGHLIGHTS

Through the course of the year the General Fund budget was amended to provide an increased appropriation of \$539,007. This increase may be explained in part by the following:

- An increase of \$1,880 in the mayor/council budget.
- An increase of \$42,396 in the recreation/swimming pool budget.
- An increase of \$21,700 in the parks maintenance budget.
- An increase of \$175,667 in the police department.
- A decrease of \$37,171 in the Rivercom dispatch services budget.
- An increase of \$97,424 in operating transfers out to various City projects.
- An increase of \$136,937 related to various grant financed projects.
- An increase of \$98,654 for City contributions to a Public Facility District formation.

General Fund revenues were amended upward by a total of \$1,025,763 which may be explained in part by the following:

- A \$700,000 increase reflecting sales tax revenues that were much greater than initially anticipated.
- An increase in grant related revenues of \$140,442.
- An increase of \$63,000 related to the sale of a parcel of land.
- An increase of \$31,454 in reimbursements from a Public Facility District related to set-up costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. City of Wenatchee's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$81,633,800 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and streets.

Major capital asset events during the current fiscal year included the following:

- \$3,371,763 of infrastructure assets was recognized in accordance with GASB 34.
- \$1,300,914 was expended to remodel the Community Center.

City of Wenatchee's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 5,966,872	3,713,146	\$ 1,149,340	1,149,340	\$ 7,116,212	4,862,486
Buildings and system	17,825,351	15,844,555	45,138,129	35,959,385	62,963,480	51,803,940
Improvements other than buildings	1,011,351	928,025	0	0	1,011,351	928,025
Machinery and equipment	2,396,595	1,787,915	807,428	1,479,578	3,204,023	3,267,493
Infrastructure	6,395,163	5,688,030	0	0	6,395,163	5,688,030
Construction in progress	332,747	1,375,730	640,823	8,176,593	973,570	9,552,323
Total	<u>\$ 33,928,079</u>	<u>\$ 29,337,401</u>	<u>\$ 47,735,720</u>	<u>\$ 46,764,896</u>	<u>\$ 81,663,799</u>	<u>\$ 76,102,297</u>

Additional information on the City's capital assets can be found in Footnote #6 located in Part 5 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Wenatchee had bond related long-term debt of \$26,179,126. Of this amount, \$9,105,000 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, \$56,750 represents a City guarantee of the repayment of a portion of bonds issued by Chelan County for the construction of the Rivercom facility, \$108,711 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, \$9,010,000 represents revenue bonds secured solely by utility revenue sources, and \$7,391,665 represents a Washington Department of Ecology State Revolving Fund (SRF) Loan that was used to renovate our wastewater treatment plant. This SRF loan repayment will be repaid solely by utility revenue sources.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	9,105,000	9,770,000	0	0	9,105,000	9,770,000
Loan Guaranty	563,750	590,000	0	0	563,750	590,000
Special assessment debt	108,711	193,711	0	0	108,711	193,711
Revenue bonds	0	0	9,010,000	10,405,000	9,010,000	10,405,000
State Loans	0	0	7,391,665	7,161,384	7,391,665	7,161,384
Total	<u>9,777,461</u>	<u>10,553,711</u>	<u>16,401,665</u>	<u>17,566,384</u>	<u>26,179,126</u>	<u>28,120,095</u>

The City's total bond related long-term debt decreased by \$1,940,969 (6.90%) during the current fiscal year. The net decrease is the result of:

- A decrease of \$2,171,250 from making regularly scheduled debt service payments.
- An increase of \$230,281 from draws on a State Revolving Fund loan.

The bond ratings held by the City of Wenatchee on its various issues are as follows:

Bond Type	Moody's	Standard & Poor's
Revenue Bonds	A3	A
Unlimited Tax General Obligation Bonds	A2	A
Limited Tax General Obligation Bonds	A3	A

Additional information on the City's long-term debt can be found in Footnote #10.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Wenatchee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, PO Box 519, Wenatchee, WA 98807-0519.

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CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 12,878,314	\$ 5,356,268	\$ 18,234,582
Cash with Fiscal Agents	0	0	0
Investments	0	0	0
Receivables (net)	3,099,604	890,418	3,990,022
Interfund Receivables	96,883	2,646,494	2,743,377
Inventories	15,859	246,810	262,669
Unamortized debt issue costs	0	221,976	221,976
Restricted assets			
Cash	507,897	962,648	1,470,545
Capital Assets			
Land	5,966,872	1,149,340	7,116,212
Buildings and System (net)	17,825,351	45,138,129	62,963,480
Other Improvements (net)	1,011,351	0	1,011,351
Machinery and Equipment (net)	2,396,595	807,428	3,204,023
Infrastructure (net)	6,395,163	0	6,395,163
Construction in Progress	332,747	640,823	973,570
Total Assets	50,526,636	58,060,334	108,586,970
LIABILITIES			
Current Payables	726,949	223,455	950,404
Retainage Payable	21,402	30,000	51,402
Claims and Judgements Payable	100,000	0	100,000
Custodial	21,155	74,407	95,562
Deferred Revenue	471,334	0	471,334
Accrued Interest Payable	0	29,925	29,925
Unamortized Debt Premium	0	57,763	57,763
Noncurrent liabilities			
Due within one year	677,572	1,210,000	1,887,572
Due in more than one year	9,099,889	7,800,000	16,899,889
Interfund Loans	2,655,791	87,586	2,743,377
Due to Other Gov't current	0	145,956	145,956
Due to Other Gov't long term	0	7,245,709	7,245,709
Compensated Absences Non-Current	1,348,759	256,137	1,604,896
Total Liabilities	15,122,851	17,160,938	32,283,789
NET ASSETS			
Invested in Capital Assets, net of related debt	24,648,901	31,334,055	55,982,956
Restricted	0	957,648	957,648
Unrestricted	10,754,884	8,607,693	19,362,577
Total Net Assets	\$ 35,403,785	\$ 40,899,396	\$ 76,303,181

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 2,218,903	\$ 1,001,012	\$ 0	\$ 0	\$ (1,217,891)	\$ 0	\$ (1,217,891)
Public safety	11,494,702	1,105,492	237,580	0	(10,151,630)	0	(10,151,630)
Physical Environment	1,283,570	958,428	685,692	0	360,550	0	360,550
Tra Pa	2,456,339	229,613	995,747	801,986	(428,993)	0	(428,993)
Economic environment	1,445,619	245,586	511,568	0	(688,465)	0	(688,465)
Culture and recreation	3,044,121	526,764	346,674	1,307,937	(862,746)	0	(862,746)
Interest on long-term debt	554,944	408,139	0	0	(146,805)	0	(146,805)
Total governmental activities	22,498,198	4,475,034	2,777,261	2,109,923	(13,135,980)	0	(13,135,980)
Business Activities							
Water/Sewer	6,048,518	7,269,920	0	0	0	1,221,402	1,221,402
Storm Drain	575,657	721,770	0	0	0	146,113	146,113
Regional Water	750,762	1,397,980	0	0	0	647,218	647,218
Solid Waste	1,634,730	1,588,331	0	0	0	(46,399)	(46,399)
Cemetery	252,041	191,868	0	0	0	(60,173)	(60,173)
Total business type activities	9,261,708	11,169,869	0	0	0	1,908,161	1,908,161
TOTAL GOVERNMENTAL	\$ 31,759,906	\$ 15,644,903	\$ 2,777,261	\$ 2,109,923	\$ (13,135,980)	\$ 1,908,161	\$ (11,227,819)
General Revenues:							
Property Taxes					4,323,314	0	4,323,314
Sales Taxes					7,094,639	0	7,094,639
City Utility Taxes					1,382,960	0	1,382,960
Other Taxes					3,961,733	0	3,961,733
Licenses					184,050	0	184,050
Unrestricted investment earnings					458,713	484,724	943,437
Miscellaneous general revenues					178,904	0	178,904
Transfers					(69,056)	69,056	0
Total general revenues					17,515,257	553,780	18,069,037
Change in net assets					4,379,277	2,461,941	6,841,218
Net assets beginning balance					31,024,508	38,437,455	69,461,963
Net assets ending balance					\$ 35,403,785	\$ 40,899,396	\$ 76,303,181

The notes to the financial statements are an integral part of this statement

CITY OF WENATCHEE, WASHINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 3,355,084	\$ 613,867	\$ 275,316	\$ 4,584,433	\$ 8,828,700
Cash with Fiscal Agent	0	0	0	0	0
Investments	0	0	0	0	0
Receivables:					
Taxes	101,258	36,414	0	11,921	149,593
Accounts	414,509	1,951	0	281,240	697,700
Due from Other Funds	1,281	0	0	0	1,281
Intergovernmental	1,566,614	84,227	315,481	285,389	2,251,711
Interest	0	0	0	0	0
Restricted Assets:					
Cash	49,241	0	0	0	49,241
Interfund Loans Receivable	0	0	0	95,602	95,602
TOTAL ASSETS	\$ 5,487,987	\$ 736,459	\$ 590,797	\$ 5,258,585	\$ 12,073,828
LIABILITIES					
Accounts Payable	254,611	21,830	80,258	260,767	617,466
Wages Payable	27,767	7,527	0	4,067	39,361
Due To Other Funds	30,136	0	0	1,280	31,416
Deposits Payable	16,689	0	0	4,201	20,890
Deferred Revenues	86,611	31,147	115,803	237,773	471,334
Sales Tax Payable	3,335	0	0	2,812	6,147
Retainage Payable	0	0	0	21,402	21,402
Leasehold Excise Tax Payable	0	0	0	7,928	7,928
Interest Payable	0	0	63,116	0	63,116
Unclaimed Property	265	0	0	0	265
Interfund Loans Payable	0		2,495,792	0	2,495,792
TOTAL LIABILITIES	419,414	60,504	2,754,969	540,230	3,775,117
FUND BALANCE					
Reserved	42,950	0	0	681,999	724,949
Unreserved , reported in					
Special Revenue Funds	0	675,955	(2,164,172)	2,614,782	1,126,565
Debt Service Funds	0	0	0	86,912	86,912
Capital Project Funds	0	0	0	1,334,662	1,334,662
Unreserved	5,025,623	0	0	0	5,025,623
TOTAL FUND BALANCES	5,068,573	675,955	(2,164,172)	4,718,355	8,298,711
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,487,987	\$ 736,459	\$ 590,797	\$ 5,258,585	

CITY OF WENATCHEE, WASHINGTON
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total net assets Governmental Funds	8,298,711
The amounts for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	31,584,155
Long term liabilities such as bonded debt is not reported in the governmental funds.	(11,118,059)
The Internal Service funds assets and liabilities are reported in the governmental funds.	6,638,978
Net assets of governmental activities	<u><u>35,403,785</u></u>

CITY OF WENATCHEE, WASHINGTON
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 14,950,100	\$ 1,143,618	\$ 0	\$ 2,394,646	\$ 18,488,364
Licenses and Permits	764,065	0	0	0	764,065
Intergovernmental	935,198	422,500	571,962	870,444	2,800,104
Charges for services	1,493,470	125,000	0	116,932	1,735,402
Fines and Forfeits	540,117	0	0	0	540,117
Investment earnings	194,844	29,026	7,309	227,536	458,715
Special Assessment Payments	0	0	0	41,159	41,159
Miscellaneous	60,111	10,504	564	815,362	886,541
Total Revenues	18,937,905	1,730,648	579,835	4,466,079	25,714,467
EXPENDITURES					
Current:					
General Government	2,238,336	0	0	0	2,238,336
Security of Persons & Property	10,706,404	0	0	638,123	11,344,527
Physical Environment	1,283,570	0	0	0	1,283,570
Transportation	0	1,669,790	1,739	655,339	2,326,868
Economic Environment	844,356	0	0	418,543	1,262,899
Culture & Recreation	1,740,824	0	0	1,127,910	2,868,734
Miscellaneous		0	0	64	64
Capital Outlay					
General	2,068	0	0	1,463,019	1,465,087
Highway/streets	0	25,453	3,051,696	324,298	3,401,447
Debt Service					
Principal Retirement	30,136	0	0	750,000	780,136
Interest	6,115	0	63,116	485,713	554,944
Total Expenditures	16,851,809	1,695,243	3,116,551	5,863,009	27,526,612
Excess (Deficiency) of Revenue					
Over (Under) Expenditures	2,086,096	35,405	(2,536,716)	(1,396,930)	(1,812,145)
OTHER FINANCING SOURCES (USES)					
Capital Asset Disposition	63,000	0	0	340,023	403,023
Distribution to Partners	0	0	0	0	0
Transfers In	26,428	0	121,517	2,655,987	2,803,932
Interfund Loans Received	0	0	0	0	0
Transfers Out	(1,555,215)	(121,517)	0	(1,206,267)	(2,882,999)
Total Other Financing Sources (Uses)	(1,465,787)	(121,517)	121,517	1,789,743	323,956
CHANGE IN FUND BALANCE	620,309	(86,112)	(2,415,199)	392,813	(1,488,189)
FUND BALANCE JANUARY 1	4,448,264	762,067	23,285	4,325,542	9,559,158
Prior Period Correction	0	0	227,741	0	227,741
FUND BALANCE DECEMBER 31	\$ 5,068,573	\$ 675,955	\$ (2,164,173)	\$ 4,718,355	\$ 8,298,710

The notes to the financial statements are an integral part of this statement.

**CITY OF WENATCHEE, WASHINGTON
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balance - total governmental funds	\$ (1,488,189)
The amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental fund report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,242,236
Governmental funds report capital outlay for budgetary purposes that do not meet financial criteria.	(26,115)
Bond principal payments reported as expenditures in the fund balance are not reported in the Statement of Activities.	780,136
Governmental funds report the sale of assets as revenue; however the Statement of Activities only reports the gain on the sale of assets. This is the net cost of the assets sold.	(233,557)
Prior period adjustments impact fund balance and therefore needs to be recognized.	227,741
The Internal Service funds are used to support governmental activities. The net revenue (expense) of these funds are reported in governmental activities.	844,868
Compensated Absences	32,157
Change in net assets of governmental activities.	\$ <u><u>4,379,277</u></u>

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCE, BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes:				
Property	\$ 3,193,100	\$ 3,178,733	\$ 3,179,696	\$ 963
Sales	6,358,900	7,058,900	7,094,639	35,739
Business	4,597,600	4,597,600	4,624,599	26,999
Other	37,200	37,200	51,166	13,966
Licenses & Permits	697,600	697,600	764,065	66,465
Intergovernmental	729,540	968,336	935,198	(33,138)
Charges for Services	1,376,030	1,386,030	1,493,470	107,440
Fines & Forfeits	600,000	600,000	540,117	(59,883)
Interest Earnings	97,000	97,000	194,844	97,844
Rentals	22,200	22,200	18,453	(3,747)
Miscellaneous	20,000	22,500	41,658	19,158
Total Revenues	17,729,170	18,666,099	18,937,905	271,806
EXPENDITURES				
Current:				
General Government Services:				
Legislative	406,383	506,917	478,977	27,940
Judicial	405,000	405,000	411,018	(6,018)
Financial	909,735	909,734	875,308	34,426
Legal	215,000	215,000	231,347	(16,347)
Personnel	252,927	252,927	241,686	11,241
Employee Benefits Program	0	0	0	0
Total General Government Services	2,189,045	2,289,578	2,238,336	51,242
Security of Persons & Property:				
Police	6,626,372	6,914,391	6,933,969	(19,578)
Fire	3,924,103	3,905,517	3,772,435	133,082
Total Security of Persons & Property	10,550,475	10,819,908	10,706,404	113,504
Physical Environment	1,294,591	1,294,591	1,283,570	11,021
Economic Environment	963,608	953,608	844,356	109,252
Mental & Physical Health	0	0	0	0
Culture & Recreation	1,662,985	1,744,601	1,740,824	3,777
Capital Outlay	60,000	60,000	2,068	57,932
Debt Service:				
Principal Retirement	28,527	28,527	30,136	(1,609)
Interest and Fiscal Charges	6,115	6,115	6,115	0
Total Expenditures	16,755,346	17,196,928	16,851,809	345,119
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	973,824	1,469,171	2,086,096	616,925

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCE, BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	0	63,000	63,000	0
Transfers In	0	25,834	26,428	594
Transfers Out	(1,456,205)	(1,553,629)	(1,555,215)	(1,586)
Total Other Financing Sources (Uses)	(1,456,205)	(1,464,795)	(1,465,787)	(992)
Excess (Deficiency) of Revenues and Other Sources over (Under) Expenditures and Other Uses	(482,381)	4,376	620,309	615,933
FUND BALANCE JANUARY 1,	4,448,264	4,448,264	4,448,264	0
FUND BALANCE DECEMBER 31,	<u>\$ 3,965,883</u>	<u>\$ 4,452,640</u>	<u>\$ 5,068,573</u>	<u>\$ 615,933</u>

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,147,900	\$ 1,147,900	\$ 1,143,618	\$ (4,282)
Intergovernmental Revenues	411,600	411,600	422,500	10,900
Charges for Services	123,600	123,600	125,000	1,400
Interest	15,000	15,000	29,026	14,026
Miscellaneous	0	0	10,504	10,504
Total Revenues	<u>1,698,100</u>	<u>1,698,100</u>	<u>1,730,648</u>	<u>32,548</u>
EXPENDITURES				
Current:				
Transportation	1,698,052	1,698,052	1,669,790	28,262
Capital Outlay	45,000	90,000	25,453	64,547
Debt Service:				
Principal	(26,115)	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>1,716,937</u>	<u>1,788,052</u>	<u>1,695,243</u>	<u>92,809</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,837)</u>	<u>(89,952)</u>	<u>35,405</u>	<u>125,357</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Transfers (Out)	(121,517)	(121,517)	(121,517)	0
Total Other Financing Sources (Uses)	<u>(121,517)</u>	<u>(121,517)</u>	<u>(121,517)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(140,354)</u>	<u>(211,469)</u>	<u>(86,112)</u>	<u>125,357</u>
FUND BALANCE JANUARY 1,	<u>762,067</u>	<u>762,067</u>	<u>762,067</u>	<u>0</u>
FUND BALANCE DECEMBER 31,	<u>\$ 621,713</u>	<u>\$ 550,598</u>	<u>\$ 675,955</u>	<u>\$ 125,357</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ARTERIAL STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET -
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	2,957,960	1,571,502	571,962	(999,540)
Charges for Services	0	0	0	0
Interest	2,000	2,000	7,309	5,309
Miscellaneous	1,200,000	0	564	564
Total Revenues	<u>4,159,960</u>	<u>1,573,502</u>	<u>579,835</u>	<u>(993,667)</u>
EXPENDITURES				
Current:				
Transportation	0	0	1,739	(1,739)
Capital Outlay	4,302,200	4,071,268	3,051,696	1,019,572
Debt Service:				
Principal	0	0	0	0
Interest	0	0	63,116	(63,116)
Total Expenditures	<u>4,302,200</u>	<u>4,071,268</u>	<u>3,116,551</u>	<u>954,717</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(142,240)</u>	<u>(2,497,766)</u>	<u>(2,536,716)</u>	<u>(38,950)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	121,517	121,517	121,517	0
Interfund Loans Received	0	2,495,792	0	(2,495,792)
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	<u>121,517</u>	<u>2,617,309</u>	<u>121,517</u>	<u>(2,495,792)</u>
Excess (Deficiency) of Revenues and				
Other Sources Over (Under)				
Expenditures and Other Uses	<u>(20,723)</u>	<u>119,543</u>	<u>(2,415,199)</u>	<u>(2,534,742)</u>
FUND BALANCE JANUARY 1,	23,285	23,285	23,285	0
Prior Period Adjustment	0	0	227,741	227,741
FUND BALANCE DECEMBER 31,	<u>\$ 2,562</u>	<u>\$ 142,828</u>	<u>\$ (2,164,173)</u>	<u>\$ (2,307,001)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
ASSETS						
Current Assets						
Cash & Cash Equivalents	\$ 3,599,444	\$ 808,144	\$ 784,371	\$ 164,309	\$ 5,356,268	\$ 4,049,614
Cash With Fiscal Agent	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Receivables (net of allowance for uncollectibles):						
Accounts	602,673	59,271	0	157,567	819,511	600
Interest on Investments	63,116	0	0	0	63,116	0
Intergovernmental	0	0	70,907	0	70,907	0
Inventory of Material and Supplies	246,810	0	0	0	246,810	15,859
Total current assets	<u>4,512,043</u>	<u>867,415</u>	<u>855,278</u>	<u>321,876</u>	<u>6,556,612</u>	<u>4,066,073</u>
Noncurrent assets						
Interfund Loans Receivable	2,583,378	0	0	0	2,583,378	0
Unamortized debt issue costs	91,463	38,800	0	0	130,263	0
Unamortized debt discount	10,634	5,651	37,765	0	54,050	0
Deferred amount on debt refunding	22,414	0	15,249	0	37,663	0
Restricted Assets:						
Cash-Revenue Bond Debt Service	392,571	277,079	37,998	0	707,648	0
Cash-Construction Accounts	0	0	250,000	5,000	255,000	0
Cash-Fire Truck Replacement	0	0	0	0	0	388,295
Cash-Child Care Center	0	0	0	0	0	49,910
Cash-Public Access Television	0	0	0	0	0	20,451
Investments-Revenue Bond Debt Service	0	0	0	0	0	0
Capital Assets (Net)	<u>36,689,277</u>	<u>5,159,357</u>	<u>5,506,137</u>	<u>380,949</u>	<u>47,735,720</u>	<u>2,343,924</u>
Total noncurrent assets	<u>39,789,737</u>	<u>5,480,887</u>	<u>5,847,149</u>	<u>385,949</u>	<u>51,503,722</u>	<u>2,802,580</u>
Total Assets	<u>44,301,780</u>	<u>6,348,302</u>	<u>6,702,427</u>	<u>707,825</u>	<u>58,060,334</u>	<u>6,868,653</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES						
Current liabilities						
Accounts Payable	85,275	3,166	6,516	127,680	222,637	55,716
Wages and Benefits Payable	600	0	67	151	818	331
Deposits Payable	31,507	0	0	0	31,507	0
Retainage Payable	30,000	0	0	0	30,000	0
Claims and Judgements Payable	0	0	0	0	0	100,000
Custodial	0	0	0	0	0	0
Matured Revenue Bonds Payable	0	0	0	0	0	0
Total current liabilities	<u>147,382</u>	<u>3,166</u>	<u>6,583</u>	<u>127,831</u>	<u>284,962</u>	<u>156,047</u>
Current liabilities payable from restricted assets						
Due to Other Governments	145,956	0	0	0	145,956	0
Accrued Interest Payable	16,057	9,312	4,556	0	29,925	0
Non-voted G O Bonds Payable Current	0	0	0	0	0	0
Revenue Bonds Payable - Current	668,690	140,000	401,310	0	1,210,000	0
Customer Deposits	42,900	0	0	0	42,900	0
Total current liabilities payable from restricted assets	<u>873,603</u>	<u>149,312</u>	<u>405,866</u>	<u>0</u>	<u>1,428,781</u>	<u>0</u>
Noncurrent liabilities						
Interfund Loans Payable	0	0	87,586	0	87,586	0
Due to other Governments	7,245,709	0	0	0	7,245,709	0
Unamortized Debt Premium	34,109	0	23,654	0	57,763	0
Non-voted G O Bonds Payable	0	0	0	0	0	0
Revenue Bonds Payable	4,248,560	2,110,000	1,441,440	0	7,800,000	0
Compensated Absences	204,579	0	22,292	29,266	256,137	73,627
Total Non-current Liabilities	<u>11,732,957</u>	<u>2,110,000</u>	<u>1,574,972</u>	<u>29,266</u>	<u>15,447,195</u>	<u>73,627</u>
Total Liabilities	<u>12,753,942</u>	<u>2,262,478</u>	<u>1,987,421</u>	<u>157,097</u>	<u>17,160,938</u>	<u>229,674</u>
NET ASSETS						
Invested in Capital Assets						
Net of Related Debt	24,380,362	2,909,357	3,663,387	380,949	31,334,055	2,343,924
Restricted for Debt Service	392,571	277,079	37,998	0	707,648	0
Restricted for Future Construction	0	0	250,000	0	250,000	0
Restricted Child Care Center	0	0	0	0	0	49,910
Restricted Public Access Television	0	0	0	0	0	20,451
Unrestricted	6,774,905	899,388	763,621	169,779	8,607,693	4,224,694
Total Net Assets	<u>\$ 31,547,838</u>	<u>\$ 4,085,824</u>	<u>\$ 4,715,006</u>	<u>\$ 550,728</u>	<u>\$ 40,899,396</u>	<u>\$ 6,638,979</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES:						
Residential Utility Sales	\$ 3,473,423	\$ 339,361	\$ 0	\$ 1,588,718	\$ 5,401,502	\$ 0
Commercial/Industrial Utility Sales	3,562,684	375,822	1,397,734	0	5,336,240	0
Connection Fees	188,332	0	0	0	188,332	0
Charges for Services	19,228	1,629	0	191,212	212,069	3,353,600
Miscellaneous	26,253	4,958	246	269	31,726	22,217
Total Operating Revenues	<u>7,269,920</u>	<u>721,770</u>	<u>1,397,980</u>	<u>1,780,199</u>	<u>11,169,869</u>	<u>3,375,817</u>
OPERATING EXPENSES:						
Operations and Maintenance	2,903,959	338,508	457,803	1,632,554	5,332,824	1,811,751
Contracted Operations	0	0	0	41,500	41,500	601,238
Payment of Premiums	0	0	0	0	0	0
General Administration	1,694,369	0	0	205,521	1,899,890	3,346
Depreciation/Amortization	1,126,708	115,702	213,812	7,196	1,463,418	347,236
Total Operating Expenses	<u>5,725,036</u>	<u>454,210</u>	<u>671,615</u>	<u>1,886,771</u>	<u>8,737,632</u>	<u>2,763,571</u>
OPERATING INCOME (LOSS)	1,544,884	267,560	726,365	(106,572)	2,432,237	612,246
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	354,981	60,897	55,479	13,367	484,724	210,168
Net Inc(Dec)in Fair Value of Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Interest Revenue	354,981	60,897	55,479	13,367	484,724	210,168
Interest Expense & Related Charges	(310,787)	(117,743)	(73,176)	0	(501,706)	0
Capital Contributions	0	0	0	0	0	10,440
Amortization of Debt Discount/ Premium, Issue Costs and Deferred Refunding	(12,695)	(3,704)	(5,971)	0	(22,370)	0
Gain (Loss) on sale of Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,003</u>
Non-Operating Revenues Net of Expense	31,499	(60,550)	(23,668)	13,367	(39,352)	222,611
Net Income Before Transfers and Extraordinary Items	1,576,383	207,010	702,697	(93,205)	2,392,885	834,857
Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>69,056</u>	<u>69,056</u>	<u>10,011</u>
CHANGE IN NET ASSETS	1,576,383	207,010	702,697	(24,149)	2,461,941	844,868
NET ASSETS JANUARY 1	29,971,455	3,878,814	4,012,309	574,877	38,437,455	5,794,111
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS DECEMBER 31	<u>\$ 31,547,838</u>	<u>\$ 4,085,824</u>	<u>\$ 4,715,006</u>	<u>\$ 550,728</u>	<u>\$ 40,899,396</u>	<u>\$ 6,638,979</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:						
Cash received from customers	\$ 7,145,918	\$ 703,904	\$ 1,398,460	\$ 1,760,328	11,008,610	\$ 3,353,600
Cash payments to vendors	(3,178,978)	(289,398)	(378,434)	(1,753,562)	(5,600,372)	(1,740,664)
Cash payments to employees	(1,609,248)	(101,300)	(114,541)	(146,543)	(1,971,632)	(699,377)
Cash payments to other funds	0	0	0	0	0	0
Other operating revenues	26,254	4,958	246	269	31,727	22,216
Net cash provided by operating activities	<u>2,383,946</u>	<u>318,164</u>	<u>905,731</u>	<u>(139,508)</u>	<u>3,468,333</u>	<u>935,775</u>
Cash Flows From Noncapital Financing Activities:						
Loans (to) from other funds	(2,495,792)	0	0	0	(2,495,792)	0
Repayment of loans (to) from other funds	0	0	0	0	0	0
Interest payments (to) from other funds	0	0	0	0	0	0
Transfers	0	0	0	69,056	69,056	10,011
Net cash provided by noncapital financing activities	<u>(2,495,792)</u>	<u>0</u>	<u>0</u>	<u>69,056</u>	<u>(2,426,736)</u>	<u>10,011</u>
Cash Flows From Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(2,645,562)	(250,099)	0	0	(2,895,661)	(500,952)
Proceeds from issuance of interfund debt	0	0	0	0	0	0
Proceeds from issuance of revenue bonds	0	0	0	0	0	0
Principal repayment on revenue bonds	(744,030)	(135,000)	(515,970)	0	(1,395,000)	0
Interest and related costs paid on revenue bonds	(211,771)	(118,261)	(67,695)	0	(397,727)	0
Proceeds from construction loans	129,715	0	0	0	129,715	0
Interest and related costs on construction loans	0	0	0	0	0	0
Principal repayment of interfund debt	36,697	0	(36,697)	0	0	0
Interest received (paid) on interfund debt	6,556	0	(6,556)	0	0	0
Deferred Amount on Refunding	0	0	0	0	0	0
Proceeds from sale of equipment	0	0	0	0	0	6,772
Capital contributed by customers	0	0	0	0	0	10,440
Net cash used for capital and related financing activities	<u>(3,428,395)</u>	<u>(503,360)</u>	<u>(626,918)</u>	<u>0</u>	<u>(4,558,673)</u>	<u>(483,740)</u>
Cash Flows From Investing Activities:						
Purchase of Investment Securities	0	0	0	0	0	0
Proceeds from maturities of investment securities	0	0	0	0	0	0
Interest on investments	285,310	60,898	55,479	13,367	415,054	210,169
Net cash provided(used) in investing activities	<u>285,310</u>	<u>60,898</u>	<u>55,479</u>	<u>13,367</u>	<u>415,054</u>	<u>210,169</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,254,931)</u>	<u>(124,298)</u>	<u>334,292</u>	<u>(57,085)</u>	<u>(3,102,022)</u>	<u>672,215</u>
Cash and cash equivalents at beginning of year	<u>7,246,946</u>	<u>1,209,521</u>	<u>738,077</u>	<u>226,394</u>	<u>9,420,938</u>	<u>3,836,055</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,992,015</u></u>	<u><u>\$ 1,085,223</u></u>	<u><u>\$ 1,072,369</u></u>	<u><u>\$ 169,309</u></u>	<u><u>\$ 6,318,916</u></u>	<u><u>\$ 4,508,270</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 1,544,884	\$ 267,560	\$ 726,365	\$ (106,572)	\$ 2,432,237	\$ 612,246
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,126,708	115,702	213,812	7,196	1,463,418	347,236
Change in assets and liabilities:						
(Increase) Decrease Accounts Receivable	(102,550)	(12,908)	0	(19,602)	(135,060)	0
(Increase) Decrease Deferred Revenue	0	0	0	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0	0	0	0
(Increase) Decrease Due From Other Governments	0	0	726	0	726	500
(Increase) Decrease Inventory	(49,720)	0	0	0	(49,720)	0
(Increase) Decrease Prepaid Items	0	0	0	0	0	0
Increase (Decrease) Accounts Payable	9,519	(1,447)	(37,201)	(22,863)	(51,992)	(21,599)
Increase (Decrease) Payroll Taxes Payable	181	(194)	(63)	151	75	179
Increase (Decrease) Retainage Payable	(147,688)	(50,549)	0	0	(198,237)	0
Increase (Decrease) Deposits Payable	(2,857)	0	0	0	(2,857)	0
Increase (Decrease) Customer Deposits Payable	4,800	0	0	0	4,800	0
Increase (Decrease) Due to Other Funds	0	0	0	0	0	0
Increase (Decrease) Due to Other Govn't	0	0	0	0	0	0
Increase (Decrease) Accrued Employee Leave	669	0	2,092	2,182	4,943	(2,787)
Total Adjustments	839,062	50,604	179,366	(32,936)	1,036,096	323,529
Net Cash Provided by Operating Activities	\$ 2,383,946	\$ 318,164	\$ 905,731	\$ (139,508)	\$ 3,468,333	\$ 935,775
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Decrease in fair value of investments	0					

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	FIREMEN'S PENSION TRUST FUND
ASSETS	
Cash	\$ 2,972,743
Cash with Agent	0
Investments	0
Receivables:	
Taxes	13,549
Accounts	0
Interest on Investments	0
Intergovernmental	0
TOTAL ASSETS	<u>2,986,292</u>
LIABILITIES:	
Accounts Payable	0
Deferred Revenues	11,589
TOTAL LIABILITIES	<u>11,589</u>
NET ASSETS	
Assets held in trust	<u><u>\$ 2,974,703</u></u>

**CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006**

	FIREMEN'S PENSION TRUST FUND
ADDITIONS	
Property Taxes	\$ 425,557
Fire Insurance Premiums	25,199
Interest Income	130,842
Total additions	<u>581,598</u>
DEDUCTIONS	
Retirement Benefits	115,121
General Administration	1,535
Total deductions	<u>116,656</u>
Change in net assets	464,942
NET ASSETS January 1,	<u>2,509,761</u>
NET ASSETS December 31,	<u><u>\$ 2,974,703</u></u>

**CITY OF WENATCHEE, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wenatchee (City) was incorporated on December 26, 1892, and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Mayor/Council form of government. Wenatchee is served by a Mayor and seven part-time Councilors, all elected at large to staggered four-year terms.

The financial statements of the City of Wenatchee have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described in the following notes.

A. REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 - The Financial Reporting Entity. According to this Statement, the basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria we determined the City has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Government-wide Financial Statements

The *Statement of Net Assets* and *Statement of Activities* display information about the City as a whole. These statements report the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been eliminated to avoid "doubling up" revenues and expenses. Governmental activities, which normally are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items such as investment interest, not restricted for specific programs, are reported on the statements as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing, or draws from the general revenues of the City.

The *Statement of Net Assets* presents the financial condition of the City's governmental and business-type activities at year-end. It reports all financial and capital assets including infrastructure and all liabilities including current and long-term.

2. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level and include statements for governmental, proprietary, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. In the basic financial statements, the governmental and enterprise fund financial statements focus on major funds. Major individual government and enterprise funds are reported as separate columns in the fund financial statements. Funds are deemed to be "major" if their revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds *and* at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The City may at its option report any other funds as "major" if officials believe that fund is particularly important to financial statement users, and in the case of the Street Fund we have done so.

The City of Wenatchee reports the following major governmental funds:

- The *general fund* is the City of Wenatchee's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *street fund* accounts for all activities pertaining to street maintenance including street cleaning, maintenance of sidewalks, maintenance of street lighting systems and traffic signal systems and snow plowing. The street fund is accounted for as a special revenue fund.
- The *arterial street fund* accounts for the revenues and expenditures related to the construction and rehabilitation of major streets throughout the City. The arterial street fund is accounted for as a special revenue fund.

The City of Wenatchee reports the following major proprietary funds:

- The *water/sewer fund* accounts for the operation of the water distribution system, and sanitary sewer collection and treatment systems.
- The *storm drain fund* accounts for the expansion and maintenance of the City's storm sewer system.
- The *regional water fund* accounts for the activities surrounding the delivery of water to the City of Wenatchee's water/sewer fund, Chelan County Public Utility District No. 1 and the East Wenatchee Water District. Activities include monitoring and maintaining pumps, wells, transmission lines and chlorination systems.

Additionally, the City reports the following fund types:

- Internal service funds account for fleet operation and maintenance, fleet replacement, facility maintenance, data processing and self insurance services provided to other departments of the City, on a cost reimbursement basis.
- Permanent funds include the *cemetery endowment fund* that accounts for the perpetual care endowment of the City cemetery.
- The *firemen's pension trust fund* accounts for the accumulation of resources and payments of pension benefit payments to qualified retired firemen.

3. Fund Accounting

The City's accounting system is organized on the basis of funds, each of which is considered a separate accounting entity. Each fund presents a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to, and accounted for, in individual funds according to the purpose for which they are spent and how they are controlled. There are three categories of funds: governmental, proprietary and fiduciary.

a. Governmental Funds

All governmental funds are accounted for on a "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of

“available spendable resources.” Governmental fund operating statements focus on measuring changes in financial position, rather than net income. They present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. In addition to the General Fund, the City reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulation. Their revenues are earmarked to finance certain activities or functions.
- *Debt Service Funds* account for resources accumulated and payment made for principal and interest on general government debt including local improvement district (LID) bonds, unlimited tax general obligation (UTGO) bonds that are approved by a vote of the citizens and limited tax general obligation (LTGO) bonds (otherwise known as councilmanic bonds) that are approved by the City Council alone.
- *Capital Project Funds* account for the acquisition or development of capital facilities for governmental activities. The major sources of revenue are proceeds from general obligation bonds, grants, dedicated taxes, and contributions from other funds.
- *Permanent Funds* account for resources that are legally restricted to the extent that only earnings and not the principal may be used for specific purposes that support the City’s programs and benefit the City and its citizens.

b. Proprietary Funds

Proprietary funds are accounted for on a flow of economic resources measurement focus. This means that all assets and liabilities, both current and non-current, associated with their activity are included on their balance sheets. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Proprietary funds measurement focus is based upon determination of net income, financial position, and cash flows. The City applies all applicable rules prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

c. Fiduciary Funds

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Wenatchee considers revenues to be available within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available when cash is received by the City of Wenatchee.

Private-sector standards of accounting and financial reporting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial

statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Wenatchee has elected not to follow subsequent private-sector guidance.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the City's water/sewer and regional water functions and various functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer fund, storm drain fund and regional water fund are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. BUDGETARY INFORMATION

1. Scope of Budget

Annual appropriated budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting. Proprietary funds are budgeted on a working capital basis. In the case of annual appropriation budgets there is no difference between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

The City of Wenatchee's budget process is depicted below and is consistent with the requirements of RCW 35A.33. The steps in the budget process are as follows:

- a. In early October, and again in early November, the Mayor and Finance Director submit proposed budgets to the City Council. Each budget version is based on priorities established by the Council and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Director of Finance.
- b. The Council conducts public hearings on the proposed budget in October, November and December.
- c. The Council makes its adjustments to the proposed budget and adopted by ordinance a final balanced budget no later than December 31.
- d. The final operating budget as adopted is published and distributed within the first three months of the following year. Copies of the budget are available to the public.

2. Amending the Budget

With the approval of the Mayor, department directors have limited ability to transfer budgeted amounts between object classes within departments; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority (5 of 7 councilors) after holding a public hearing. During 2006 the budget was amended once and the budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

3. Excess of Expenditures Over Appropriations

- The Hotel/Motel Tax – Tourism Fund (a special revenue fund) exceeded its legal appropriation by \$76,642 or 24.7%.
- The Long-Term Care – LEOFF 1 Fund (a special revenue fund) exceeded its legal appropriation by \$4,930 or 3.2%.
- The Ice Arena Fund (a special revenue fund) exceeded its legal appropriation by \$41,574 or 18.7%.

4. Deficit Fund Equity

- The Police Station Bond debt service fund has a deficit fund balance of \$14,647 at December 31, 2006 (as opposed to a deficit fund balance of \$14,208 at December 31, 2005). The deficit is a result of delinquencies on property tax collections that support debt service payments on the underlying unlimited tax general obligation bonds. The fund balance is expected to become positive through future collections of delinquent property tax payments by the Chelan County Treasurer.
- The Arterial Street Fund (a special revenue fund that has met the criteria to be reported as a major fund) has a deficit fund balance of \$2,164,172. The deficit is a result of a \$2,495,792 land acquisition in June 2006 that was financed through a loan from the Water/Sewer Fund (see footnote #13 for a related disclosure regarding the interfund loan). Only a small portion of the land that was purchased will be needed for the related construction project that will commence in 2007 and we anticipate the future sale of the excess land will provide the funds necessary to repay the loan and eliminate this deficit.

E. ASSETS, LIABILITIES AND EQUITIES

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the government to invest in obligations of the U.S. Treasury, State Treasurer's Investment Pool, banker's acceptances, or deposits with Washington State banks and savings and loan institutions. It is the City's policy to invest all temporary cash surpluses and the interest on these investments is prorated to the various funds.

The City's deposits are entirely covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

To comply with GASB Statement No. 31, all investments are stated at fair value as of December 31, 2006.

2. Receivables and Payables

The City of Wenatchee recognizes receivables in its various funds using the appropriate measurement focus and basis of accounting for each fund. The primary types of receivables are as follow:

- Property Taxes
The City's annual property tax levy is billed and collected by Chelan County. Taxes collected by the County, but not remitted to the City by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property.
- Accounts Receivable
Customer account receivable consist of amounts owned by private individuals or organizations for goods and services including amounts owed for which billings have not

been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

- Special Assessments
Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited.

3. Amounts Due to and from Other Funds, Interfund Loans and Advances/Receivables

During the course of normal operations, numerous transactions occur between individual funds for goods provided or services rendered. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All outstanding balances between funds are reports as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A separate schedule of interfund loans receivable and payable is furnished in Note 13.

Advances between funds, as reported in the fund financial statements in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

4. Amounts Due to and from Other Governments

These receivables and payables reflect measurable and available intergovernmental charges for services rendered by, or to, the City for, or by, another governmental unit. Amounts due from other governments are primarily related to tax collections that are remitted after year-end and grant reimbursements related to capital projects.

5. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items (there are no prepaid items at December 31, 2006).

6. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted assets for debt service are resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments and assets set aside according to the bond covenants for the next debt service payment.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

In the fund financial statements, these assets are accounted for and reported based on the measurement focus of the fund. In other words, in the governmental funds, acquired capital assets are accounted for as expenditures when the asset is purchased. In the proprietary funds, the expense is capitalized and the current year's depreciation is reported as the expense.

The cost of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant and equipment of the City are depreciated using the straight-line method and reported in the government-wide statements and proprietary funds using the following estimated useful lives:

Buildings	40-50 years
Building Improvements	40-50 years
Public domain infrastructure	50-100 years
System infrastructure	25-50 years
Equipment	4-45 years

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of 400 hours, but at the point of termination will allow a cash-out of no more than 240 hours. Sick leave accumulation is unlimited and is payable at the point of termination at a rate of 25% up to a maximum of 240 hours. The cash-out of sick leave is offered to only those employees that voluntarily terminate service to the City after at least five-years of service.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 16 – Accounting for Compensated Absences, the City accrues vacation pay and no liability is recorded for non-vesting accumulating rights to sick pay benefits. However, a current liability is recognized for that portion of accumulating sick leave benefits that are estimated will be taken as terminal leave prior to resignation. This provides for the termination pay for eligible employees vacation and sick leave to a maximum of 480 hours.

The City's Facility Maintenance and Data Processing internal service funds serve both governmental and business activities, and therefore, their compensated absences liability accrual is included as a part of the operations of each.

9. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The General Fund reports a \$42,950 reservation of fund balance that is not subject to budget appropriation including advance travel cash of \$10,000, IRS Section #125 cash of \$20,000, petty cash of \$7,950 and donated cash of \$5,000 that may only be expended toward a specific purpose stated by the donor.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government - wide statement of net assets. The governmental funds report current assets and liabilities while the net assets - governmental reflect long term assets and liabilities. Below is a detailed explanation of the long term reconciling items:

1. Capital assets are not reported in governmental funds. The adjustment for capital assets is added to the governmental fund balances:

Value of governmental assets	\$ 37,916,881
Less accumulated depreciation	(6,332,727)
Adjustment for governmental fixed assets	<u>\$ 31,584,155</u>

2. Long term liabilities are not reported in governmental funds. The adjustment for long term liabilities is deducted from governmental fund balance:

Loan Payable	\$(65,466)
Councilmanic Bonds Payable	(5,753,750)
UTGO Bonds Payable	(3,915,000)
LID Bonds Payable	(108,711)
Employee Leave Benefits	(1,275,132)
Adjustment for long term liabilities	<u>\$(11,118,059)</u>

3. The Internal Service funds provide services to the governmental funds and therefore a portion of these funds net assets is allocated to the governmental funds:

Equipment Rental Operations & Maintenance	\$ 1,185,462
Self Insurance	2,047,422
Equipment Rental Replacement	2,829,756
Facility Maintenance	172,907
Data Processing	403,431
Adjustment for Internal Service Funds	<u>\$ 6,638,978</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government - wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government - wide statement of activities. The governmental funds report revenue and expenditures on the modified accrual bases while the statement of activities reports on the full accrual bases. The following reconciling items adjust to the full accrual basis:

1. The governmental funds expense capital outlay and do not recognized depreciation. The adjustment for this is added to governmental fund balances:

Capital outlay	\$ 4,866,534
Less depreciation expense	(624,298)
Adjustment for capital outlay	<u>\$ 4,242,236</u>

2. Governmental funds report capital outlay for budgetary purposed that do not meet financial criteria:

\$ (26,115)

3. Bond principal payments are not reported in the statement of net assets and are therefore added back to the governmental fund balances

\$ 780,136

4. The internal service funds support some of the governmental operations. The internal service funds had a combined gain for calendar year 2006. The adjustment for this gain increases governmental fund balances.

Equipment Rental Operations	\$ 84,310
Self Insurance	560,028
Equipment Rental Replacement	187,077
Facility Maintenance	13,046
Data Processing	407
Adjustment for Internal Service funds	<u>\$ 844,868</u>
5. The reduction in the long term compensated absences increases the governmental funds	\$ 32,157
6. Governmental funds report the sale of assets as revenue; however the Statement of Activities only reports the gain on the sale of the assets. This is the the net costs of the assets sold.	\$ (233,557)
7. Prior period adjustments effect fund balances and therefore need to be recognized.	\$ 227,741

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits:

The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of December 31, 2006, the City had \$11,745,013 in cash, including \$11,715,013 in bank deposits and petty cash, and \$30,000 retained in escrow that will be released in the future pending the successful completion of related construction projects.

Investments:

As of December 31, 2006, the City had a total of \$10,932,859 in investments, all of which was invested in the Washington State Investment Pool.

Custodial risk is the risk that in event of failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. Of the City's total position of \$10,932,859 in the Washington State Investment Pool, nothing is exposed to custodial credit risk.

There was no net increase or decrease in the fair value of investments during 2006 because the City's only investments on hand on 1/1/2006 and 12/31/2006 were in the State Investment Pool.

NOTE 5. PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installments is due.
May 31	Assessed value of property established for next year's levy at 100% of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, however, that amount is reduced to \$3.10 as a result of a \$.50 per \$1,000 levy assessed by the North Central Regional Library.

The City's regular levy for 2006 was \$2.99107 per \$1,000 on an assessed valuation of \$1,589,277,760 for a total levy of \$4,753,633.

In addition to the regular levy, the City has a bond levy that was approved by the voters in September 2001 for the construction of a police station. The 2006 levy was \$.23410 per \$1,000 on an assessed valuation of \$1,586,211,873 for a total levy of \$367,115.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,713,145	\$ 2,495,742	\$ (242,015)	\$ 5,966,872
Construction in progress	1,375,731	236,544	(1,279,528)	332,747
Total capital assets not being depreciated	5,088,876	2,732,286	(1,521,543)	6,299,619
Capital assets being depreciated:				
Buildings	20,668,921	2,580,442	(233,556)	23,015,807
Improvements other than buildings	1,346,610	137,089	0	1,483,699
Machinery and equipment	5,781,733	1,283,649	(96,204)	6,969,178
Infrastructure	5,746,223	880,251	0	6,626,474
Total capital assets being depreciated	33,543,487	4,881,431	(329,760)	38,095,158
Less accumulated depreciation for:				
Buildings	4,824,366	423,912	(57,822)	5,190,456
Improvements other than buildings	418,585	53,763	0	472,348
Machinery and equipment	3,993,818	578,766	0	4,572,584
Infrastructure	58,193	173,118	0	231,311
Total accumulated depreciation	9,294,962	1,229,559	(57,822)	10,466,699
Total capital assets being depreciated, net	24,248,525	3,651,872	(271,938)	27,628,459
Governmental activities capital assets, net	\$ 29,337,401	\$ 6,384,158	\$ (1,793,481)	\$ 33,928,078

Depreciation expense was charged to function/programs of the City of Wenatchee as follows:

General government	89,767
Public Safety	476,162
Transportation	65,685
Economic environment	205,283
Culture and recreation	278,852
Infrastructure	113,810
Total depreciation expense	<u>1,229,559</u>

In previous years, the Governmental Accounting Standards Board (GASB) prohibited governments from reporting in their financial statements any infrastructure assets (roads, sidewalks, bridges, etc.). This rule changed with the adoption of GASB Statement #34, which for the first time *required* governments to report all infrastructure assets that were acquired or significantly reconstructed retroactive to fiscal years

ending after June 30, 1980. As a Phase 2 government (one with annual revenues between \$10 million and \$100 million) the City of Wenatchee is not required to fully implement the "retroactive provision" prior to the preparation of financial statement for fiscal years beginning after June 15, 2006. The capital asset figures provided in footnote number 6 include all infrastructure added during calendar year 2003 through 2006 but reflect no retroactive activity for previous fiscal years.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 1,149,340	\$ 0	\$ 0	\$ 1,149,340
Construction in progress	8,176,593	640,822	(8,176,593)	640,822
Total capital assets not being depreciated	9,325,933	640,822	(8,176,593)	1,790,162
Capital assets being depreciated:				
Buildings	57,019,445	10,617,062	0	67,636,507
Improvements other than buildings	0	0	0	0
Machinery and equipment	2,884,124	139,378	(1,534,239)	1,489,263
Infrastructure	0	0	0	0
Total capital assets being depreciated	59,903,569	10,756,440	(1,534,239)	69,125,770
Less accumulated depreciation for:				
Buildings	21,060,060	1,438,318	0	22,498,378
Improvements other than buildings	0	0	0	0
Machinery and equipment	1,404,546	25,099	(747,810)	681,835
Infrastructure	0	0	0	0
Total accumulated depreciation	22,464,606	1,463,417	(747,810)	23,180,213
Total capital assets being depreciated, net	37,438,963	9,293,023	(786,429)	45,945,557
Business-type activities capital assets, net	\$ 46,764,896	\$ 9,933,845	\$ (8,963,022)	\$ 47,735,719

Depreciation was charged against business-type activities as follows:

Water/Sewer	1,126,707
Storm Drain	115,702
Regional Water	213,811
Cemetery	7,197
Total depreciation expense business activities	1,463,417

NOTE 7. PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

PERS is a cost-sharing multiple employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of two percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	68,609
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	22,567
Active Plan Members Vested	104,574
Active Plan Members Nonvested	51,004
Total	<u>246,754</u>

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	3.69%**	3.69%	3.69%****
Employee	6.00%***	3.50%	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 5.44%.

*** The employee rate for state elected officials is 7.50%.

**** Plan 3 defined benefit portion only.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2006	\$25,245	\$146,738	\$11,225
2005	\$14,706	\$85,199	\$5,884
2004	\$11,998	\$62,667	\$3,441

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. Effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and

recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	8,723
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	577
Active Plan Members Vested	12,348
Active Plan Members Nonvested	3,543
Total	25,191

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature has the ability, by means of a special funding arrangement, to appropriate money from the state General Fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	4.90%**
Employee	0.00%	7.85%
State	n/a	3.13%

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.03%.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2006	\$672	\$206,741
2005	\$1,058	\$158,661
2004	\$1,276	\$134,224

Firemen's Pension

The City is the administrator of a pension retirement system called the Firemen's Pension Fund. The Firemen's Pension Fund is a single employer defined benefit pension plan and is reported as a pension trust fund in the financial reports of the City.

As of December 31, 2006, there were a total of 29 retirees or beneficiaries eligible for retirement benefits. Of these 29, the State of Washington pays eight, the City pays four, and both the City and State share the cost of the remaining 18. The Firemen's Pension Fund is a closed group, thus no new members are permitted.

An actuarial study of the system was conducted by Milliman & Robertson, Inc. as of June 30, 1993, to determine the funding requirements. The actuarial cost method used to value assets was the aggregate projected benefit method with the annual cost spread over the period ending December 31, 2006. Under this method, the normal cost is the portion of the actuarial present value of benefits allocated to a valuation year. As of that date, the actuarial present value of fund assets was \$172,000 and the actuarial present value of future benefits was \$2,786,000 leaving an unfunded actuarial accrued liability of \$2,614,000. At December 31, 2006, the unfunded actuarial accrued liability identified in the actuarial study has been erased and we now have a surplus of \$188,703. It is our intention to contract for another actuarial study during 2007 to confirm the funding status of this fund.

The significant actuarial assumptions used to compute the initial actuarial accrued liability included:

1. The accruing costs of all benefits are measured by an aggregate projected benefit method with the annual cost increasing 6% per year over the period ending December 31, 2006.
2. The future investment earnings of the assets of the Firemen's Pension Fund are assumed to accrue at an annual rate of 7-1/2%.
3. Equity mutual funds are carried on the market value basis. Other assets are carried on a book (cost) basis.
4. Future salaries are assumed to increase at the rate of 5-3/4% per annum. Those benefits that increase at the same rate as the salaries for active members of the same rank the retiree had attained at retirement are assumed to increase at the rate of 5-3/4%. Other benefits are assumed to increase at the same rate as the Consumer Price Index increases. The CPI was assumed to increase at the rate of 4.5% per annum.
5. All members who attain or who have attained age 65 in active service are assumed to retire immediately.

6. Future fire insurance premium tax revenues are assumed to increase at the rate of 5-3/4% per year. Property tax revenues are assumed to increase at 6% annually.

City contributions for calendar year 2006 were based upon the 1993 actuarial study which amortized the actuarial accrued liability through 2006. Revenues in 2006 totaled \$581,598 and were comprised of:

- \$425,557 from property taxes which represented \$.2680 per \$1,000 of the total \$2.99107 per \$1,000 levy (or 8.96% of the total levy).
- \$130,842 in interest earnings.
- \$25,199 from the State of Washington that is derived from a tax assessed on fire insurance premiums.

The 1993 actuarial study found the City was not funding a sufficient amount to meet future needs of the firemen's pension system. The cause of the insufficient funding resulted from the fact that medical and retirement benefits, as well as disability pay for active firefighters had been paid out of the fund between the 1987 actuarial study and June 1991, even though previous actuarial assumptions and recommendations were that medical benefits of the individuals covered by the Firemen's Pension Fund be paid from General Fund revenues. Beginning in July 1991, the City ceased paying medical benefits of those covered by the Firemen's Pension Fund through this program. By paying primarily retirement benefits through the Firemen's Pension Fund and most medical costs from other insurance programs the net assets available for benefits have rebounded over the past 15-years.

The following list represents twenty-two years of historical trend information to show the system's progress in accumulating sufficient resources to pay benefits when due:

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Expenses (Including Covered Payroll)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Expenses
2006	\$ 2,974,703	\$ 2,786,000	106.77%	\$ -188,703	\$ 116,656	-161.76%
2005	2,509,761	2,786,000	90.08%	276,239	144,314	191.42%
2004	2,154,782	2,786,000	77.34%	631,218	155,495	405.94%
2003	1,876,056	2,786,000	67.34%	909,944	140,185	649.10%
2002	1,612,842	2,786,000	57.89%	1,173,158	148,827	788.27%
2001	1,384,534	2,786,000	49.70%	1,401,466	148,225	945.50%
2000	1,152,161	2,786,000	41.36%	1,633,839	165,712	985.95%
1999	924,860	2,786,000	33.20%	1,861,140	161,613	1151.60%
1998	753,455	2,786,000	27.04%	2,032,545	155,496	1307.14%
1997	587,308	2,786,000	21.08%	2,198,692	160,018	1374.03%
1996	447,341	2,786,000	16.06%	2,338,659	193,685	1207.45%
1995	358,316	2,786,000	12.86%	2,427,684	182,146	1332.82%
1994	278,838	2,786,000	10.01%	2,507,162	147,857	1695.67%
1993	175,947	2,786,000	6.32%	2,610,053	149,681	1743.74%
6/30/93**	172,000	2,786,000	6.17%	2,614,000	87,000	3004.60%
1992	127,108	2,282,000	5.57%	2,154,892	157,959	1364.21%
1991	99,434	2,282,000	4.36%	2,182,566	204,690	1066.28%
1990	119,703	2,282,000	5.25%	2,162,297	239,627	902.36%
1989	178,793	2,282,000	7.83%	2,103,207	223,819	939.69%
1988	228,180	2,282,000	10.00%	2,053,820	337,367	608.78%
1987	390,310	2,282,000	17.10%	1,891,690	177,501	1065.73%
1986	395,391	2,168,171	18.24%	1,772,780	208,808	849.00%
1985	442,984	2,060,000	21.50%	1,617,016	191,360	845.01%

**At date of most recent actuarial study.

The amount shown as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and City rate benefits estimated to be payable in the future as a result of employee service to date. The measure which is the "actuarial present value of credited projected benefits," is intended to help users assess the system's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and employers.

The following twenty-two year table of revenues and expenses summarizes past operational results of the fund:

Fiscal Year	REVENUES			EXPENSES			NET INCOME
	Taxes	Interest	Total	Benefits	Interest	Total	
2006	\$ 450,756	\$ 130,842	\$ 581,598	\$ 116,656	\$ 0	\$ 116,656	\$ 464,942
2005	425,270	74,023	499,293	144,314	0	144,314	354,979
2004	404,284	29,938	434,222	155,495	0	155,495	278,727
2003	381,031	22,368	403,399	140,185	0	140,185	263,214
2002	351,544	25,591	377,135	148,827	0	148,827	228,308
2001	327,801	52,797	380,598	148,225	0	148,225	232,373
2000	310,702	82,310	393,012	165,712	0	165,712	227,300
1999	306,773	26,246	333,019	161,613	0	161,613	171,406
1998	287,248	34,395	321,643	155,496	0	155,496	166,147
1997	274,811	25,175	299,986	160,018	0	160,018	139,968
1996	262,965	19,744	282,709	193,685	0	193,685	89,024
1995	244,021	17,603	261,624	182,146	0	182,146	79,478
1994	241,269	9,479	250,748	147,857	0	147,857	102,891
1993	193,539	4,981	198,520	149,681	0	149,681	48,839
1992	181,538	4,095	185,633	157,959	0	157,959	27,674
1991	179,688	6,334	186,022	204,690	1,601	206,291	(20,269)
1990	170,424	12,922	183,346	239,627	2,808	242,435	(59,089)
1989	161,221	16,897	178,118	223,819	3,686	227,505	(49,387)
1988	155,885	19,354	175,239	337,367	0	337,367	(162,128)
1987	157,026	15,569	172,595	177,676	0	177,676	(5,081)
1986	144,432	16,531	160,963	208,808	0	208,808	(47,845)
1985	131,997	27,771	159,768	191,360	0	191,360	(31,592)

NOTE 8. RISK MANAGEMENT

Property & Casualty Coverage:

The City of Wenatchee is exposed to risks of loss related to a number of sources including tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City protects itself against potential loss by employing a three-tier risk management approach. First, the City shares risk of losses through membership in the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Second, the City reserves the right to utilize the provisions of RCW 35A.31.060-070 to fund catastrophic or uninsured losses. This State statute allows cities to levy a non-voted property tax increase to pay for uninsured claims. Third, the City has a Safety Committee that is responsible for monitoring the safety of both employees and visitors. The Safety Committee reviews accidents and potential hazards and provides related reports to the Mayor and Management for any necessary action.

Authorization for the creation of the AWC RMSA is provided by Chapter 48.62 RCW which authorizes the governing body of any one or more government entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, 82 municipalities participate in the pool (as of December 31, 2006). The City of Wenatchee joined the AWC RMSA May 1, 1993.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The City has elected to retain a \$25,000 indemnity deductible on all liability coverages. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier, as of June 1, 2005, and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$300,000 for liability and \$25,000 for property, and thereafter purchases excess liability insurance through NLC Mutual Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million. The excess property coverage is purchased through Affiliated FM, using the Pool's broker, Willis of Seattle, Inc. Since the AWC RMSA is a cooperative program, the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give one-year notice before terminating participation. The Interlocal Government Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Government Agreement. The Pool is governed by a board of directors serving ex-officio as the AWC Board of Directors.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The City has also established a liability for outstanding property/casualty claims as of December 31, 2006. The specific financial of the AWC RMSA can be seen in the Annual Report on file in the Finance Department of the City of Wenatchee.

Claims Payable and Settlements:

The Self-Insurance Fund is used for collecting interfund premiums from insured funds and departments, and for paying claims settlements. Interfund premiums are assessed on the basis of claims history, number of employees, and value of assets. Claims settlements and loss expenses are accrued in the estimated settlement value of both reported and unreported claims. No settlements have exceeded insurance coverage in any of the past three years.

As of December 31, 2006, the City had accrued the following amounts for outstanding claims:

	Incurred/ Reported	Incurred but not Reported	Total Claims Payable
Total	\$ 8,946	\$ 100,000	\$ 108,946

The following schedule presents changes in claims liabilities for 2006:

	Property & Casualty	
	2006	2005
Claims liabilities, January 1	\$ 109,356	\$ 120,155
Claims and operating expenses:		
Incurred	604,584	714,843
Paid	(604,994)	(725,642)
Claims liabilities, December 31	\$ 108,946	\$ 109,356

NOTE 9. SHORT-TERM DEBT

The City had no short-term debt as of December 31, 2006.

NOTE 10. LONG-TERM DEBT

The City's long-term debt consists of General Long-Term Debt, Local Improvement Bonds and Proprietary Type Long-Term Debt. The City is in compliance with all Washington State debt limitation statutes and bond indenture agreements. The City's long-term debt is accounted for in five areas:

1) General Obligations Bonds

- **Limited Tax General Obligation (LTGO) Bonds** – Consists of four issues of Non-Voted General Obligation Bonds. The first was issued in 1993 for the purpose of remodeling the convention center. The second was issued in 1995 to partially fund the purchase of a new fire truck. The third was issued in 1997 for the purpose of expanding and renovating the convention center. The final issue in 1998 was for the purpose of completing overlays over roughly 40 miles of City streets. The bonds are a direct obligation of the City and the full faith and credit of the government has been irrevocably pledged to satisfy related debt service requirements.
- **Unlimited Tax General Obligation (UTGO) Bonds** – Consists of one issue of Voter Approved General Obligation Bonds that were issued in 2001 for the construction of a new police station. The bonds are a direct obligation of the City and the full faith and credit of the government has been irrevocably pledged to satisfy related debt service requirements. For as long as the bonds are outstanding, the City irrevocably pledges to levy taxes annually without limitation as to rate or amount on all taxable property within the City in an amount sufficient, together with other money legally available and to be used therefore, to pay the principal of and interest on the Bonds when due.

2) Loan Guarantees

In 2002, Chelan County issued \$2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center to be known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement that includes four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party to be a guarantor of up to twenty-five percent (25%) of the principal amount of the bonds. The City initial share of the guaranty was \$640,000, but after subsequent debt service payments has been reduced to \$563,750 as of December 31, 2006.

3) Revenue Bonds and Loans

- **Revenue Bonds** – Three separate series of revenue bonds are currently outstanding and were issued to finance water, sewer, storm drain and regional water system construction projects. The bonds are being repaid by operating revenues of the individual proprietary funds that benefited from the related capital assets.
- **Washington Department of Ecology – State Revolving Fund (SRF) Loan** – The City is the recipient of a low interest loan (1.5% over 20 years) from the State Department of Ecology whose proceeds were used for an upgrade of a wastewater treatment plant that is part of the City's Water/Sewer enterprise fund. The loan will be repaid by future operating revenues of the fund.

4) Special Assessment or Local Improvement District (LID) Bonds have been issued to finance construction projects for sewers, sidewalks, etc. that have been requested by citizens and benefit specific locations within our community. These bonds are repaid with the proceeds of annual billings assessed against the property owners that benefited from the improvements. In the event of nonpayment of assessments the City of Wenatchee is obligated to make the payment of principal and interest of the Special Assessment Bonds and would do so to the extent funds are available in the LID Guaranty Fund and through the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred. At December 31, 2006 the LID Guaranty Fund had an unreserved fund balance of \$78,080.

5) Employee leave benefits (otherwise known as compensated absences) that account for the underlying liability related to the accumulation of accrued vacation and sick leave.

The City's revenue and limited tax general obligation (LTGO) bonds each carry an A3 rating from Moody's Investor Services and an A rating from Standard and Poor's. The City's unlimited tax general obligation (UTGO) bonds carry an A2 rating from Moody's and an A rating from Standard and Poor's.

The following table depicts debt outstanding as of December 31, 2006:

Item	Interest Rates	Maturity	Authorized	Outstanding 1/1/2006	Additions	Reductions	Outstanding 12/31/2006
General Obligation Bonds:							
1993 L.T.G.O.	3.25-5.75%	12/1/2008	800,000	210,000	0	65,000	145,000
1997 L.T.G.O.	3.70-5.60%	12/1/2021	4,000,000	2,805,000	0	165,000	2,640,000
1998 L.T.G.O.	3.85-5.05%	12/1/2014	4,085,000	2,650,000	0	245,000	2,405,000
2001 U.T.G.O.	2.10-4.90%	12/1/2021	4,800,000	4,105,000	0	190,000	3,915,000
Total General Obligation Bonds			\$ 13,685,000	\$ 9,770,000	\$ 0	\$ 665,000	\$ 9,105,000
Loan Guarantee							
Chelan County/Rivercom	1.80-4.90%	12/1/2022	\$ 640,000	\$ 590,000	\$ 0	\$ 26,250	\$ 563,750
Revenue Bonds and Loans:							
1998 Water/Sewer	3.90-5.05%	12/1/2013	2,720,000	2,260,000	0	0	2,260,000
1998 Storm Drain	3.90-5.05%	12/1/2013	3,190,000	2,385,000	0	135,000	2,250,000
2004 Water/Sewer	2.50-3.50%	12/1/2011	8,205,000	5,760,000	0	1,260,000	4,500,000
2007 SRF Loan	1.50%	7/30/2026	7,391,665	7,161,384	230,281	0	7,391,665
Total Revenue Bonds			\$ 21,506,665	\$ 17,566,384	\$ 230,281	\$ 1,395,000	\$ 16,401,665
LID Bonds							
314/316	6.30-7.50%	9/15/2008	1,122,294	110,000	0	60,000	50,000
324	4.22%	6/1/2016	103,711	83,711	0	25,000	58,711
Total LID Bonds			\$ 1,226,005	\$ 193,711	\$ 0	\$ 85,000	\$ 108,711
Employee Leave Benefit Obligations (Compensated Absences):							
Governmental Funds (governmental activities)				\$ 1,307,289	\$ 0	\$ 32,157	\$ 1,275,132
Internal Service Funds (governmental activities)				57,311	466	2,557	55,220
Internal Service Funds (business-type activities)				19,104	155	852	18,407
Enterprise Funds (business-type activities)				251,193	4,943	0	256,136
Total Employee Leave Benefits				\$ 1,634,897	\$ 5,564	\$ 35,566	\$ 1,604,895

Annual debt service requirements to maturity for governmental activity bonds are as follows:

Year Ending December 31	General Obligation Bonds		Loan Guaranty		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	635,000	442,655	26,250	23,538	16,322	6,278
2008	665,000	411,695	27,500	22,829	46,589	5,251
2009	620,000	379,057	27,500	22,004	6,867	1,933
2010	645,000	351,522	28,750	21,076	7,157	1,643
2011	675,000	322,357	30,000	20,041	7,458	1,341
2012-2016	3,140,000	1,116,954	168,750	81,749	24,318	2,081
2017-2021	2,725,000	435,569	207,500	41,925	0	0
2022-2026	0	0	47,500	2,328	0	0
	\$ 9,105,000	\$ 3,459,809	\$ 563,750	\$ 235,490	\$ 108,711	\$ 18,527

Annual debt service requirements to maturity for business-type activity bonds are as follows:

Year Ending December 31	Revenue Bonds		State Revolving Fund Loan	
	Principal	Interest	Principal	Interest
2007	1,210,000	359,107	145,956.19	73,985.33
2008	1,080,000	327,341	332,101.79	107,781.25
2009	1,115,000	290,862	337,117.71	102,765.33
2010	1,160,000	253,161	342,209.38	97,673.66
2011	1,195,000	211,354	347,377.97	92,505.07
2012-2016	1,610,000	674,551	1,817,192.38	382,222.82
2017-2021	1,260,000	260,273	1,958,631.14	240,784.06
2022-2026	380,000	29,613	2,111,078.79	88,336.63
	<u>\$ 9,010,000</u>	<u>\$ 2,406,262</u>	<u>\$ 7,391,665</u>	<u>\$ 1,186,054</u>

Changes in Long-Term Liabilities

During the year ended December 31, 2006, the following changes in long-term liabilities occurred:

	Outstanding 1/1/2006	Additions	Reductions	Outstanding 12/31/2006	Due Within One Year
Governmental Activities					
Bonds Payable					
U.T.G.O. bonds	4,105,000	0	190,000	3,915,000	195,000
L.T.G.O. bonds	5,665,000	0	475,000	5,190,000	440,000
Special assessment debt	193,711	0	85,000	108,711	16,322
Total bonds payable	9,963,711	0	750,000	9,213,711	651,322
Compensated absences	1,364,600	466	34,714	1,330,352	0
Loan guarantee	590,000	0	26,250	563,750	26,250
Government activity long-term debt	11,918,311	466	810,964	11,107,813	677,572
Business-Type Activities					
Bonds and Loans Payable					
Revenue bonds	10,405,000	0	1,395,000	9,010,000	1,210,000
SRF Loan	7,161,384	230,281	0	7,391,665	145,956
Total bonds and loans payable	17,566,384	230,281	1,395,000	16,401,665	1,355,956
Compensated absences	270,297	5,098	852	274,543	0
Business-type activity long-term debt	17,836,681	235,379	1,395,852	16,676,208	1,355,956

Debt Limit Capacities for General Obligation Bonds

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City:

- A total of 2.5% for General Purpose allocated between
 - Up to 1.5% without a public vote (councilmanic bonds).
 - Up to 1.0% with a public vote.
- A total of 2.5% for utility purposes with a public vote.
- A total of 2.5% for open space, park and capital facilities with a public vote.

At December 31, 2006, the debt limits for the City were as follows:

	2.5% General Purpose		With a Public Vote		Total
	Without a Public Vote	With a Public Vote	Utility Purpose	Open Space, Park, and Capital Facilities	
	1.50%	1.00%	2.50%	2.50%	
Legal Limit*	27,727,955	18,485,303	46,213,258	46,213,258	138,639,774
Outstanding Indebtedness	(5,753,750)	(3,915,000)	0	0	(9,668,750)
Margin Available	<u>21,974,205</u>	<u>14,570,303</u>	<u>46,213,258</u>	<u>46,213,258</u>	<u>128,971,024</u>
* Based upon the 2006 assessed value for 2007 property taxes of \$1,848,530,303					

NOTE 11. LEASES

The City leases equipment under noncancelable operating leases. The total cost for such leases was \$43,260.52 for the year ended December 31, 2006. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Principal
2007	45,651
2008	40,827
2009	40,827
2010	16,167
2011	11,423
2012-2015	4,523
	<u>159,419</u>

NOTE 12. CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

The City of Wenatchee, a retired City police chief, and a former City police detective have been sued by a number of plaintiffs as a result of the investigation and subsequent prosecution of child abuse cases during 1994 and 1995. At this point the disposition of these claims and suits is indeterminate, but could result in a future impact to the overall financial condition of the City.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

During the course of normal operations the City has numerous transactions between funds.

Due to/from other funds represent receivables and payables between funds for goods issued, work performed or services rendered for the benefit of another fund within the City. Due to/from balances at December 31, 2006 are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Homeless Housing	1,281
Total		\$ 1,281

Interfund receivables and payables represent loans between funds that have been approved by a City Council resolution and are supported with a specific repayment plan. At December 31, 2005 there are two such loans outstanding:

Interfund Receivable/Payable		
Receivable Fund	Payable Fund	Amount
Water/Sewer Fund	Arterial Street	2,495,792
Water/Sewer	Regional Water	87,586
Cemetery Endowment	General Fund/GLTDAG	95,602
Total		\$ 2,678,980

Operating transfers in/out represent the outright transfer of assets from one fund to another without a requirement for repayment. An example of such a transactions in 2005 includes the transfer of cash from the *general fund* to a *debt service fund* in order to make annual payments on outstanding general obligation bond issues. Through 2006 the following operating transfers in/out occurred:

	Transfer To						
	Major Funds		Other Funds				Total
	Governmental		Nonmajor Governmental	Nonmajor Business	Debt Service	Internal Service	
	General Fund	Arterial Street Fund					
Transfer From							
General fund	0	0	1,190,499	35,400	319,305	10,011	1,555,215
Street fund	0	121,517	0	0	0	0	121,517
Nonmajor governmental	26,428	0	647,671	0	498,513	0	1,172,612
Debt service	0	0	0	0	0	0	0
Permanent	0	0	0	33,656	0	0	33,656
Total	26,428	121,517	1,838,170	69,056	817,818	10,011	2,883,000

NOTE 14. POST EMPLOYMENT HEALTH AND LONG-TERM CARE BENEFITS

In addition to pension benefits discussed in NOTE 7, the City of Wenatchee provides post employment health care and disability (long-term care) benefits in accordance with RCW 41.26. These represent lifetime benefits for law enforcement officers and firefighters that were hired prior to October 1, 1977 (these employees are referred to as LEOFF 1 and pre-LEOFF). All of the City's LEOFF 1 employees will become eligible for these benefits at the point they retire from City employment. As of December 31, 2006, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Police	3	20	23	12
Fire	2	23	25	15
	5	43	48	27

LEOFF 1 - Long-Term Care

For disability/long-term care costs the City had for years adopted a pay-as-you-go approach whereby we paid claims as they arose. However, in 2000 the City created a special revenue fund to account for all related revenues and expenditures and begin building a reserve to use towards the payment of future claims. A history of our efforts to date are as follow:

Disability / Long-Term Care									
Calendar Year	Revenues					Expenditures	Results of Operations	Year-End Fund Balance	
	Operating Transfers From			Interest Income	Total	LTC Costs			
	General Fund	Self-Insurance Fund	Total						
2006	\$ 0	\$ 0	\$ 0	\$ 27,522	\$ 27,522	\$ 157,830	\$ -130,308	\$ 460,301	
2005	105,000	205,951	310,951	13,797	324,748	95,021	229,727	590,609	
2004	99,996	0	99,996	5,360	105,356	64,903	40,453	360,882	
2003	99,996	0	99,996	3,654	103,650	48,074	55,576	320,429	
2002	96,000	0	96,000	4,601	100,601	44,790	55,811	264,853	
2001	96,000	0	96,000	9,003	105,003	66,553	38,450	209,042	
2000	250,000	0	250,000	3,159	253,159	82,567	170,592	170,592	
1999	69,012	0	69,012	0	69,012	69,012	0	0	

LEOFF 1 – Health Care Coverage

For health care coverage costs the City had for years adopted a pay-as-you go approach whereby we paid for and recognized claims as they were reported by the retiree. These costs have included:

1. The City pays the Part B premium for those 27 individuals that are Medicare eligible, which results in Medicare being the primary payer for related medical claims.
2. The City pays for medical insurance coverage for all 48 individuals through the Association of Washington Cities Employee Benefits Trust (AWC), which is a fully insured indemnity plan that offers specific coverages for particular maladies. If the individual is Medicare eligible, the AWC coverage is considered the secondary payer, if they are not Medicare eligible, AWC is considered primary.
3. Finally, the City is self-insured for those medical claims that are not covered by either Medicare or AWC.

The City's cost for medical coverage over the past six years has been:

Calendar Year	Health Care
2005	\$ 433,557
2004	352,002
2003	272,140
2002	139,816
2001	459,849
2000	182,262
1999	205,292

At the conclusion of 2006 the City created a special revenue fund to account for all related revenues and expenditures and begin building a reserve to use towards the payment of future claims. A history of our efforts to date are as follow:

Health Care Coverage														
Calendar Year	Revenues						Expenditures						Results of Operations	Year-End Fund Balance
	Operating Transfers From			Interest Income	Total	Medicare Part B Premium	Health Insurance Premium	City Out-of-Pocket	Total					
	General Fund	Self Insurance Fund	Total											
2006	\$ 542,499	\$ 0	\$ 542,499	\$ 10,484	\$ 552,983	\$ 26,521	\$ 406,521	\$ 47,251	\$ 480,293	\$ 72,690	\$ 229,431			
2005	0	156,418	156,418	323	156,741	0	0	0	0	156,741	156,741			

NOTE 15 – PRIOR PERIOD CORRECTION

In 2006 a prior period correction was recorded in the Arterial Street Fund (a special revenue fund). The prior period correction relates to \$227,741.22 of grant reimbursements that should have been accrued as revenue in 2005.

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FIREMEN'S PENSION SYSTEM

The City is the administrator of a pension retirement system called the Firemen's Pension Fund. The Firemen's Pension Fund is a single employer defined benefit pension plan and is reported as a pension trust fund in the financial reports of the City.

As of December 31, 2006, there were a total of 29 retirees or beneficiaries eligible for retirement benefits. Of these 29, the State of Washington pays eight, the City pays four, and both the City and State share the cost of the remaining 18. The Firemen's Pension Fund is a closed group, thus no new members are permitted.

An actuarial study of the system was conducted by Milliman & Robertson, Inc. as of June 30, 1993, to determine the funding requirements. The actuarial cost method used to value assets was the aggregate projected benefit method with the annual cost spread over the period ending December 31, 2006. Under this method, the normal cost is the portion of the actuarial present value of benefits allocated to a valuation year. As of that date, the actuarial present value of fund assets was \$172,000 and the actuarial present value of future benefits was \$2,786,000 leaving an unfunded actuarial accrued liability of \$2,614,000. At December 31, 2006, the unfunded actuarial accrued liability identified in the actuarial study has been erased and we now have a surplus of \$188,703. It is our intention to contract for another actuarial study during 2007 to confirm the funding status of this fund.

The significant actuarial assumptions used to compute the initial actuarial accrued liability included:

1. The accruing costs of all benefits are measured by an aggregate projected benefit method with the annual cost increasing 6% per year over the period ending December 31, 2006.
2. The future investment earnings of the assets of the Firemen's Pension Fund are assumed to accrue at an annual rate of 7-1/2%.
3. Equity mutual funds are carried on the market value basis. Other assets are carried on a book (cost) basis.
4. Future salaries are assumed to increase at the rate of 5-3/4% per annum. Those benefits that increase at the same rate as the salaries for active members of the same rank the retiree had attained at retirement are assumed to increase at the rate of 5-3/4%. Other benefits are assumed to increase at the same rate as the Consumer Price Index increases. The CPI was assumed to increase at the rate of 4.5% per annum.
5. All members who attain or who have attained age 65 in active service are assumed to retire immediately.
6. Future fire insurance premium tax revenues are assumed to increase at the rate of 5-3/4% per year. Property tax revenues are assumed to increase at 6% annually.

City contributions for calendar year 2006 were based upon the 1993 actuarial study which amortized the actuarial accrued liability through 2006. Revenues in 2006 totaled \$581,598 and were comprised of:

- \$425,557 from property taxes which represented \$.2680 per \$1,000 of the total \$2.99107 per \$1,000 levy (or 8.96% of the total levy).
- \$130,842 in interest earnings.
- \$25,199 from the State of Washington that is derived from a tax assessed on fire insurance premiums.

The 1993 actuarial study found the City was not funding a sufficient amount to meet future needs of the firemen's pension system. The cause of the insufficient funding resulted from the fact that medical and retirement benefits, as well as disability pay for active firefighters had been paid out of the fund between the 1987 actuarial study and June 1991, even though previous actuarial assumptions and recommendations were that medical benefits of the individuals covered by the Firemen's Pension Fund be paid from General Fund revenues. Beginning in July 1991, the City ceased paying medical benefits

of those covered by the Firemen's Pension Fund through this program. By paying primarily retirement benefits through the Firemen's Pension Fund and most medical costs from other insurance programs the net assets available for benefits have rebounded over the past 15-years.

The following list represents twenty-two years of historical trend information to show the system's progress in accumulating sufficient resources to pay benefits when due:

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Expenses (Including Covered Payroll)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Expenses
2006	\$ 2,974,703	\$ 2,786,000	106.77%	\$ -188,703	\$ 116,656	-161.76%
2005	2,509,761	2,786,000	90.08%	276,239	144,314	191.42%
2004	2,154,782	2,786,000	77.34%	631,218	155,495	405.94%
2003	1,876,056	2,786,000	67.34%	909,944	140,185	649.10%
2002	1,612,842	2,786,000	57.89%	1,173,158	148,827	788.27%
2001	1,384,534	2,786,000	49.70%	1,401,466	148,225	945.50%
2000	1,152,161	2,786,000	41.36%	1,633,839	165,712	985.95%
1999	924,860	2,786,000	33.20%	1,861,140	161,613	1151.60%
1998	753,455	2,786,000	27.04%	2,032,545	155,496	1307.14%
1997	587,308	2,786,000	21.08%	2,198,692	160,018	1374.03%
1996	447,341	2,786,000	16.06%	2,338,659	193,685	1207.45%
1995	358,316	2,786,000	12.86%	2,427,684	182,146	1332.82%
1994	278,838	2,786,000	10.01%	2,507,162	147,857	1695.67%
1993	175,947	2,786,000	6.32%	2,610,053	149,681	1743.74%
6/30/93**	172,000	2,786,000	6.17%	2,614,000	87,000	3004.60%
1992	127,108	2,282,000	5.57%	2,154,892	157,959	1364.21%
1991	99,434	2,282,000	4.36%	2,182,566	204,690	1066.28%
1990	119,703	2,282,000	5.25%	2,162,297	239,627	902.36%
1989	178,793	2,282,000	7.83%	2,103,207	223,819	939.69%
1988	228,180	2,282,000	10.00%	2,053,820	337,367	608.78%
1987	390,310	2,282,000	17.10%	1,891,690	177,501	1065.73%
1986	395,391	2,168,171	18.24%	1,772,780	208,808	849.00%
1985	442,984	2,060,000	21.50%	1,617,016	191,360	845.01%

**At date of most recent actuarial study.

The amount shown as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and City rate benefits estimated to be payable in the future as a result of employee service to date. The measure which is the "actuarial present value of credited projected benefits," is intended to help users assess the system's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and employers.

The following twenty-two year table of revenues and expenses summarizes past operational results of the fund:

Fiscal Year	REVENUES			EXPENSES			NET INCOME
	Taxes	Interest	Total	Benefits	Interest	Total	
2006	\$ 450,756	\$ 130,842	\$ 581,598	\$ 116,656	0	\$ 116,656	\$ 464,942
2005	425,270	74,023	499,293	144,314	0	144,314	354,979
2004	404,284	29,938	434,222	155,495	0	155,495	278,727
2003	381,031	22,368	403,399	140,185	0	140,185	263,214
2002	351,544	25,591	377,135	148,827	0	148,827	228,308
2001	327,801	52,797	380,598	148,225	0	148,225	232,373
2000	310,702	82,310	393,012	165,712	0	165,712	227,300
1999	306,773	26,246	333,019	161,613	0	161,613	171,406
1998	287,248	34,395	321,643	155,496	0	155,496	166,147
1997	274,811	25,175	299,986	160,018	0	160,018	139,968
1996	262,965	19,744	282,709	193,685	0	193,685	89,024
1995	244,021	17,603	261,624	182,146	0	182,146	79,478
1994	241,269	9,479	250,748	147,857	0	147,857	102,891
1993	193,539	4,981	198,520	149,681	0	149,681	48,839
1992	181,538	4,095	185,633	157,959	0	157,959	27,674
1991	179,688	6,334	186,022	204,690	1,601	206,291	(20,269)
1990	170,424	12,922	183,346	239,627	2,808	242,435	(59,089)
1989	161,221	16,897	178,118	223,819	3,686	227,505	(49,387)
1988	155,885	19,354	175,239	337,367	0	337,367	(162,128)
1987	157,026	15,569	172,595	177,676	0	177,676	(5,081)
1986	144,432	16,531	160,963	208,808	0	208,808	(47,845)
1985	131,997	27,771	159,768	191,360	0	191,360	(31,592)

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**CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	SPECIAL REVENUE FUNDS							
	PUBLIC ART	PATHS & TRAILS	HOTEL/MOTEL 60% CAPITAL	CONVENTION CENTER	HOTEL/MOTEL 40% TOURISM	LEOFF 1 LONG-TERM CARE	STREET OVERLAY	ICE ARENA
ASSETS								
Cash	\$ 71,908	\$ 13,884	\$ 25,101	\$ 278,968	\$ 55,306	\$ 467,335	\$ 560,900	\$ 193,555
Cash with Fiscal Agent	0	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0
Receivables:								
Taxes	0	0	0	0	0	0	0	0
Accounts	0	0	0	11,587	0	0	0	41,909
Intergovernmental	0	292	26,664	64,864	42,829	0	32,762	236
Interest	0	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	0	0
TOTAL ASSETS	71,908	14,176	51,765	355,419	98,135	467,335	593,662	235,700
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	202	0	0	36,790	75,200	7,034	0	11,809
Payroll Payables	0	0	0	0	0	0	0	4,067
Due To Other Funds	0	0	0	0	0	0	0	0
Deferred Revenues	0	0	0	0	0	0	0	0
Deposits Payable	0	0	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0	0	2,812
Retainage Payable	0	0	0	0	0	0	0	0
Leasehold Excise Tax Payable	0	0	0	6,848	0	0	0	0
Unclaimed Property	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	202	0	0	43,638	75,200	7,034	0	18,688
FUND BALANCE								
Reserved	0	0	0	0	0	0	0	0
Unreserved	71,706	14,176	51,765	311,781	22,935	460,301	593,662	217,012
TOTAL FUND BALANCE	71,706	14,176	51,765	311,781	22,935	460,301	593,662	217,012
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,908	\$ 14,176	\$ 51,765	\$ 355,419	\$ 98,135	\$ 467,335	\$ 593,662	\$ 235,700

The notes to the financial statements are an integral part of this statement.

**CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	COMMUNITY CENTER	HOUSING REHABILITATION	CDBG ENTITLEMENT	LEOFF 1 HEALTH CARE	HOMELESS FUNDS	TOTAL SPECIAL REVENUE FUNDS
ASSETS						
Cash	\$ 244,778	\$ 146,618	\$ (3,783)	\$ 233,433	\$ 195,505	\$ 2,483,508
Cash with Fiscal Agent	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Receivables:						
Taxes	0	0	0	0	0	0
Accounts	508	0	124,671	0	0	178,675
Intergovernmental	6,121	54,981	15,894	0	0	244,643
Interest	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0
TOTAL ASSETS	251,407	201,599	136,782	233,433	195,505	2,906,826
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	2,219	831	0	4,002	4,255	142,342
Payroll Payables	0	0	0	0	0	4,067
Due To Other Funds	0	0	0	0	1,280	1,280
Deferred Revenues	440	0	124,671	0	0	125,111
Deposits Payable	650	0	0	0	0	650
Sales Tax Payable	0	0	0	0	0	2,812
Retainage Payable	0	7,854	0	0	0	7,854
Leasehold Excise Tax Payable	1,080	0	0	0	0	7,928
Unclaimed Property	0	0	0	0	0	0
TOTAL LIABILITIES	4,389	8,685	124,671	4,002	5,535	292,044
FUND BALANCE						
Reserved	0	0	0	0	0	0
Unreserved	247,018	192,914	12,111	229,431	189,970	2,614,782
TOTAL FUND BALANCE	247,018	192,914	12,111	229,431	189,970	2,614,782
TOTAL LIABILITIES AND FUND BALANCES	\$ 251,407	\$ 201,599	\$ 136,782	\$ 233,433	\$ 195,505	\$ 2,906,826

The notes to the financial statements are an integral part of this statement.

**CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	DEBT SERVICE FUNDS					TOTAL DEBT SERVICE FUNDS
	UTGO BONDS	LID GUARANTY	LTGO BONDS	LID 324	LID 314 & 316	
ASSETS						
Cash	\$ (16,063)	\$ 78,080	\$ 16,061	\$ 4,213	\$ 3,685	\$ 85,976
Cash with Fiscal Agent	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Receivables:						
Taxes	11,921	0	0	0	0	11,921
Accounts	0	0	0	55,650	46,811	102,461
Intergovernmental	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0
TOTAL ASSETS	(4,142)	78,080	16,061	59,863	50,496	200,358
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	304	0	480	0	0	784
Payroll Payables	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0
Deferred Revenues	10,201	0	0	55,650	46,811	112,662
Deposits Payable	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0
Leasehold Excise Tax Payable	0	0	0	0	0	0
Unclaimed Property	0	0	0	0	0	0
TOTAL LIABILITIES	10,505	0	480	55,650	46,811	113,446
FUND BALANCE						
Reserved	0	0	0	0	0	0
Unreserved	(14,647)	78,080	15,581	4,213	3,685	86,912
TOTAL FUND BALANCE	(14,647)	78,080	15,581	4,213	3,685	86,912
TOTAL LIABILITIES AND FUND BALANCES	\$ (4,142)	\$ 78,080	\$ 16,061	\$ 59,863	\$ 50,496	\$ 200,358

The notes to the financial statements are an integral part of this statement.

**CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	CAPITAL PROJECTS FUNDS							TOTAL
	CAPITAL IMPROVE- MENTS	LID CAPITAL PROJECTS	ICE ARENA RENOVATION	PEDESTRIAN OVERPASS	SWIMMING POOL SLIDE	COMMUNITY CENTER CONSTRUCTION	PUBLIC WORKS FACILITY CONSTRUCTON	CAPITAL PROJECTS FUNDS
ASSETS								
Cash	\$ 681,420	\$ 0	\$ 50,715	\$ 132,587	\$ 128,245	\$ 0	\$ 432,138	\$ 1,425,105
Cash with Fiscal Agent	0	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0
Receivables:								
Taxes	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0	0
Intergovernmental	40,746	0	0	0	0	0	0	40,746
Interest	0	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	0	0
TOTAL ASSETS	722,166	0	50,715	132,587	128,245	0	432,138	1,465,851
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	7,985	0	0	0	0	0	109,656	117,641
Payroll Payables	0	0	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	0
Deferred Revenues	0	0	0	0	0	0	0	0
Deposits Payable	0	0	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0	13,548	13,548
Leasehold Excise Tax Payable	0	0	0	0	0	0	0	0
Unclaimed Property	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	7,985	0	0	0	0	0	123,204	131,189
FUND BALANCE								
Reserved	0	0	0	0	0	0	0	0
Unreserved	714,181	0	50,715	132,587	128,245	0	308,934	1,334,662
TOTAL FUND BALANCE	714,181	0	50,715	132,587	128,245	0	308,934	1,334,662
TOTAL LIABILITIES AND FUND BALANCES	\$ 722,166	\$ 0	\$ 50,715	\$ 132,587	\$ 128,245	\$ 0	\$ 432,138	\$ 1,465,851

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	TRUST FUNDS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TRAFFIC BUREAU	CEMETERY TRUST	
ASSETS			
Cash	\$ 3,551	\$ 586,293	\$ 4,584,433
Cash with Fiscal Agent	0	0	0
Investments	0	0	0
Receivables:			
Taxes	0	0	11,921
Accounts	0	104	281,240
Intergovernmental	0	0	285,389
Interest	0	0	0
Interfund Loans Receivable	0	95,602	95,602
TOTAL ASSETS	<u>3,551</u>	<u>681,999</u>	<u>5,258,585</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	0	0	260,767
Payroll Payables	0	0	4,067
Due To Other Funds	0	0	1,280
Deferred Revenues	0	0	237,773
Deposits Payable	3,551	0	4,201
Sales Tax Payable	0	0	2,812
Retainage Payable	0	0	21,402
Leasehold Excise Tax Payable	0	0	7,928
Unclaimed Property	0	0	0
TOTAL LIABILITIES	<u>3,551</u>	<u>0</u>	<u>540,230</u>
FUND BALANCE			
Reserved	0	681,999	681,999
Unreserved	0	0	4,036,356
TOTAL FUND BALANCE	<u>0</u>	<u>681,999</u>	<u>4,718,355</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>3,551</u>	<u>681,999</u>	<u>5,258,585</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SPECIAL REVENUE FUNDS						
	PUBLIC ART	PATHS & TRAILS	HOTEL/MOTEL 60% CAPITAL	CONVENTION CENTER	HOTEL/MOTEL 40 % TOURISM	LEOFF 1 LONG-TERM CARE	STREET OVERLAY
REVENUES							
Taxes	\$ 0	\$ 0	\$ 173,329	\$ 346,662	\$ 346,674	\$ 0	\$ 573,247
Intergovernmental	0	1,719	20,255	60,619	0	0	0
Charges for services	0	0	0	0	0	0	0
Fines and Forfeits	0	0	0	0	0	0	0
Investment earnings	3,788	558	4,195	12,402	2,164	27,522	35,550
Special Assessment Payments	0	0	0	0	0	0	0
Miscellaneous	88,030	0	0	181,051	0	0	0
Total Revenues	91,818	2,277	197,779	600,734	348,838	27,522	608,797
EXPENDITURES							
Current:							
Security of Persons & Property	0	0	0	0	0	157,830	0
Transportation	0	0	0	0	0	0	655,339
Economic Environment	0	0	0	0	0	0	0
Culture & Recreation	8,945	0	0	406,979	387,173	0	0
Capital Outlay	56,911	0	0	133,422	0	0	0
Miscellaneous	0	0	0	0	0	0	0
Debt Service							
Principal Retirement	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0
Total Expenditures	65,856	0	0	540,401	387,173	157,830	655,339
Excess (Deficiency) of Revenue Over (Under) Expenditures	25,962	2,277	197,779	60,333	(38,335)	(130,308)	(46,542)
OTHER FINANCING SOURCES (USES)							
Distribution to partners	0	0	0	0	0	0	0
Transfers In	0	0	0	170,681	0	0	0
Transfers Out	0	0	(170,681)	(323,305)	0	0	0
Capital Asset Disposition	0	0	0	356	0	0	0
Total Other Financing Sources (Uses)	0	0	(170,681)	(152,268)	0	0	0
CHANGE IN FUND BALANCE	25,962	2,277	27,098	(91,935)	(38,335)	(130,308)	(46,542)
FUND BALANCE JANUARY 1	45,744	11,899	24,667	403,716	61,270	590,609	640,204
FUND BALANCE DECEMBER 31	\$ 71,706	\$ 14,176	\$ 51,765	\$ 311,781	\$ 22,935	\$ 460,301	\$ 593,662

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SPECIAL REVENUE FUNDS						TOTAL SPECIAL REVENUE FUNDS
	ICE AREANA	COMMUNITY CENTER	HOUSING REHABILITATION	CDBG ENTITLEMENT	LEOFF 1 HEALTH COVERAGE	HOMELESS FUNDS	
REVENUES							
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,439,912
Intergovernmental	0	0	455,630	104,287	0	218,562	861,072
Charges for services	116,932	0	0	0	0	0	116,932
Fines and Forfeits	0	0	0	0	0	0	0
Investment earnings	11,732	11,882	5,964	0	10,485	809	127,051
Special Assessment Payments	0	0	0	0	0	0	0
Miscellaneous	173,515	37,770	0	0	0	0	480,366
Total Revenues	302,179	49,652	461,594	104,287	10,485	219,371	3,025,333
EXPENDITURES							
Current:							
Security of Persons & Property	0	0	0	0	480,293	0	638,123
Transportation	0	0	0	0	0	0	655,339
Economic Environment	0	0	384,184	13,725	0	15,007	412,916
Culture & Recreation	263,982	60,831	0	0	0	0	1,127,910
Capital Outlay	0	0	0	0	0	0	190,333
Miscellaneous	0	0	0	0	0	0	0
Debt Service							
Principal Retirement	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0
Total Expenditures	263,982	60,831	384,184	13,725	480,293	15,007	3,024,621
Excess (Deficiency) of Revenue Over (Under) Expenditures	38,197	(11,179)	77,410	90,562	(469,808)	204,364	712
OTHER FINANCING SOURCES (USES)							
Distribution to partners	0	0	0	0	0	0	0
Transfers In	2,107	69,175	0	0	542,499	0	784,462
Transfers Out	0	(83,472)	(14,235)	(325,021)	0	(14,394)	(931,108)
Capital Asset Disposition	0	0	0	0	0	0	356
Total Other Financing Sources (Uses)	2,107	(14,297)	(14,235)	(325,021)	542,499	(14,394)	(146,646)
CHANGE IN FUND BALANCE	40,304	(25,476)	63,175	(234,459)	72,691	189,970	(145,578)
FUND BALANCE JANUARY 1	176,708	272,494	129,739	246,570	156,740	0	2,760,360
FUND BALANCE DECEMBER 31	\$ 217,012	\$ 247,018	\$ 192,914	\$ 12,111	\$ 229,431	\$ 189,970	\$ 2,614,782

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	DEBT SERVICE FUNDS					TOTAL DEBT SERVICE FUNDS
	UTGO BONDS	LID GUARANTY	LTGO BONDS	LID 324	LID 314 & 316	
REVENUES						
Taxes	\$ 366,980	\$ 0	\$ 0	\$ 0	\$ 0	\$ 366,980
Intergovernmental	0	0	0	0	0	0
Charges for services	0	0	0	0	0	0
Fines and Forfeits	0	0	0	0	0	0
Investment earnings	0	4,035	0	538	524	5,097
Special Assessment Payments	0	0	0	20,487	20,672	41,159
Miscellaneous	0	0	0	0	0	0
Total Revenues	366,980	4,035	0	21,025	21,196	413,236
EXPENDITURES						
Current:						
Security of Persons & Property	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
Economic Environment	0	0	0	0	0	0
Culture & Recreation	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Miscellaneous	0	64	0	0	0	64
Debt Service						
Principal Retirement	190,000	0	475,000	25,000	60,000	750,000
Interest	177,419	0	295,600	3,434	9,260	485,713
Total Expenditures	367,419	64	770,600	28,434	69,260	1,235,777
Excess (Deficiency) of Revenue Over (Under) Expenditures	(439)	3,971	(770,600)	(7,409)	(48,064)	(822,541)
OTHER FINANCING SOURCES (USES)						
Distribution to partners	0	0	0	0	0	0
Transfers In	0	0	769,818	0	48,000	817,818
Transfers Out	0	0	0	0	0	0
Capital Asset Disposition	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	769,818	0	48,000	817,818
CHANGE IN FUND BALANCE	(439)	3,971	(782)	(7,409)	(64)	(4,723)
FUND BALANCE JANUARY 1	(14,208)	74,109	16,363	11,622	3,749	91,635
FUND BALANCE DECEMBER 31	<u>\$ (14,647)</u>	<u>\$ 78,080</u>	<u>\$ 15,581</u>	<u>\$ 4,213</u>	<u>\$ 3,685</u>	<u>\$ 86,912</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	CAPITAL PROJECTS FUNDS							TOTAL
	CAPITAL IMPROVEMENTS	LID CAPITAL PROJECTS	ICE ARENA RENOVATION	PEDSTRIAN OVERPASS	SWIMMING POOL SLIDE	COMMUNITY CENTER CONSTRUCTION	PUBLIC WORKS FACILITY CONSTRUCITON	CAPITAL PROJECTS FUNDS
RENEUNES								
Taxes	\$ 587,754	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	587,754
Intergovernmental	9,372	0	0	0	0	0	0	9,372
Charges for services	0	0	0	0	0	0	0	0
Fines and Forfeits	0	0	0	0	0	0	0	0
Investment earnings	22,033	0	2,761	6,397	6,940	3,041	20,553	61,725
Special Assessment Payments	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	453	322,634	0	323,087
Total Revenues	619,159	0	2,761	6,397	7,393	325,675	20,553	981,938
EXPENDITURES								
Current:								
Security of Persons & Property	0	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0
Economic Environment	0	0	0	0	0	5,627	0	5,627
Culture & Recreation	0	0	0	0	0	0	0	0
Capital Outlay	10,450	0	0	0	0	1,300,915	285,619	1,596,984
Miscellaneous	0	0	0	0	0	0	0	0
Debt Service								
Principal Retirement	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0
Total Expenditures	10,450	0	0	0	0	1,306,542	285,619	1,602,611
Excess (Deficiency) of Revenue Over (Under) Expenditures	608,709	0	2,761	6,397	7,393	(980,867)	(265,066)	(620,673)
OTHER FINANCING SOURCES (USES)								
Distribution to partners	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	479,707	574,000	1,053,707
Transfers Out	(175,208)	0	(2,107)	0	0	(64,188)	0	(241,503)
Capital Asset Disposition	0	0	0	0	0	339,667	0	339,667
Total Other Financing Sources (Uses)	(175,208)	0	(2,107)	0	0	755,186	574,000	1,151,871
CHANGE IN FUND BALANCE	433,501	0	654	6,397	7,393	(225,681)	308,934	531,198
FUND BALANCE JANUARY 1	280,680	0	50,061	126,190	120,852	225,681	0	803,464
FUND BALANCE DECEMBER 31	\$ 714,181	\$ 0	\$ 50,715	\$ 132,587	\$ 128,245	\$ 0	\$ 308,934	\$ 1,334,662

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	PERMANENT FUND CEMETERY TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES		
Taxes	\$ 0	\$ 2,394,646
Intergovernmental	0	870,444
Charges for services	0	116,932
Fines and Forfeits	0	0
Investment earnings	33,663	227,536
Special Assessment Payments	0	41,159
Miscellaneous	11,909	815,362
Total Revenues	<u>45,572</u>	<u>4,466,079</u>
EXPENDITURES		
Current:		
Security of Persons & Property	0	638,123
Transportation	0	655,339
Economic Environment	0	418,543
Culture & Recreation	0	1,127,910
Capital Outlay	0	1,787,317
Miscellaneous	0	64
Debt Service		
Principal Retirement	0	750,000
Interest	0	485,713
Total Expenditures	<u>0</u>	<u>5,863,009</u>
Excess (Deficiency) of Revenue		
Over (Under) Expenditures	45,572	(1,396,930)
OTHER FINANCING SOURCES (USES)		
Distribution to partners	0	0
Transfers In	0	2,655,987
Transfers Out	(33,656)	(1,206,267)
Capital Asset Disposition	0	340,023
Total Other Financing Sources (Uses)	<u>(33,656)</u>	<u>1,789,743</u>
CHANGE IN FUND BALANCE	11,916	392,813
FUND BALANCE JANUARY 1	670,083	4,325,542
FUND BALANCE DECEMBER 31	<u><u>\$ 681,999</u></u>	<u><u>\$ 4,718,355</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
DECEMBER 31, 2006

	SOLID WASTE	CEMETERY	TOTAL
ASSETS			
Cash & Cash Equivalents	\$ 88,688	\$ 75,621	\$ 164,309
Cash With Fiscal Agent	0	0	0
Investments	0	0	0
Receivables (net of allowance for uncollectibles):			
Accounts	149,259	8,308	157,567
Interest on Investments	0	0	0
Intergovernmental	0	0	0
Due From Other Funds	0	0	0
Interfund Loans Receivable	0	0	0
Inventory of Material and Supplies	0	0	0
Restricted Assets:			
Cash-Revenue Bond Debt Service	0	0	0
Cash-Construction Accounts	0	5,000	5,000
Capital Assets (Net)	0	380,949	380,949
Total Assets	<u>237,947</u>	<u>469,878</u>	<u>707,825</u>
LIABILITIES AND EQUITIES			
LIABILITIES :			
Accounts Payable	125,153	2,527	127,680
Wages and Benefits Payable	0	151	151
Deposits Payable	0	0	0
Compensated Absences - Current	0	0	0
Retainage Payable	0	0	0
Due to Other Governments	0	0	0
Due To Other Funds	0	0	0
Deferred Revenue	0	0	0
Interfund Loans Payable	0	0	0
Non-voted G O Bonds Payable Current	0	0	0
Revenue Bonds Payable - Current	0	0	0
Non-voted G O Bonds Payable Noncurrent	0	0	0
Revenue Bonds Payable - Noncurrent	0	0	0
Compensated Absences - Noncurrent	0	29,266	29,266
Total Liabilities	<u>125,153</u>	<u>31,944</u>	<u>157,097</u>
NET ASSETS			
Invested in capital assets, net of related debt	0	380,949	380,949
Restricted for debt service	0	0	0
Restricted for future construction	0	0	0
Unrestricted	112,794	56,985	169,779
Total Net Assets	<u>\$ 112,794</u>	<u>\$ 437,934</u>	<u>\$ 550,728</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUE EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	SOLID WASTE	CEMETERY	TOTAL
OPERATING REVENUES:			
Residential Utility Sales	\$ 1,588,718	\$ 0	\$ 1,588,718
Commercial/Industrial Utility Sales	0	0	0
Connection Fees	0	0	0
Charges for Services	0	191,212	191,212
Miscellaneous	(387)	656	269
Total Operating Revenues	1,588,331	191,868	1,780,199
OPERATING EXPENSES:			
Operations and Maintenance	1,387,709	244,845	1,632,554
Contracted Operations	41,500	0	41,500
General Administration	205,521	0	205,521
Depreciation/Amortization	0	7,196	7,196
Total Operating Expenses	1,634,730	252,041	1,886,771
OPERATING INCOME (LOSS)	(46,399)	(60,173)	(106,572)
NON-OPERATING REVENUES (EXPENSES)			
Interest Revenue			
Interest Income	7,026	6,341	13,367
Net Inc(Dec)in Fair Value of Investments	0	0	0
Total Interest Revenue	7,026	6,341	13,367
External Operating Subsidy	0	0	0
Interest Expense & Related Charges	0	0	0
Gain (Loss) on sale of Capital Assets	0	0	0
Non-Operating Revenues Net of Expense	7,026	6,341	13,367
Net Income Before Operating Transfers and Extraordinary Items	(39,373)	(53,832)	(93,205)
Transfers In (Out)	0	69,056	69,056
CHANGE IN NET ASSETS	(39,373)	15,224	(24,149)
NET ASSETS JANUARY 1	152,167	422,710	574,877
Prior Period Adjustment	0	0	0
NET ASSETS DECEMBER 31	<u>\$ 112,794</u>	<u>\$ 437,934</u>	<u>\$ 550,728</u>

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	SOLID WASTE	CEMETERY	TOTAL
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,573,553	\$ 186,775	\$ 1,760,328
Cash payments to vendors	(1,626,702)	(126,860)	(1,753,562)
Cash payments to employees	0	(146,543)	(146,543)
Cash payments to other funds	0	0	0
Cash payments for taxes	0	0	0
Other operating revenues	(387)	656	269
Net cash provided by operating activities	(53,536)	(85,972)	(139,508)
Cash Flows From Noncapital Financing Activities:			
Repayment of loans received from other funds	0	0	0
Repayment of loans to other funds	0	0	0
Transfers	0	69,056	69,056
Interest received on loans	0	0	0
Interest paid on loans	0	0	0
Net cash provided by noncapital financing activities	0	69,056	69,056
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	0	0	0
Proceeds from issuance interfund debt	0	0	0
Principal repayment on revenue bond maturities	0	0	0
Interest and related costs paid on revenue bonds	0	0	0
Principal repayment of interfund debt	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	0	0	0
External Operating Subsidy	0	0	0
Capital contributed by customers	0	0	0
Net cash used for capital and related financing activities	0	0	0
Cash Flows From Investing Activities:			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	7,026	6,341	13,367
Transfer of interest from other funds	0	0	0
Net cash provided(used) in investing activities	7,026	6,341	13,367
Net increase (decrease) in cash and cash equivalents	(46,510)	(10,575)	(57,085)
Cash and cash equivalents at beginning of year	135,198	91,196	226,394
Cash and cash equivalents at end of year	\$ 88,688	\$ 80,621	\$ 169,309

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	SOLID WASTE	CEMETERY	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (46,399)	\$ (60,173)	\$ (106,572)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	0	7,196	7,196
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	(15,165)	(4,437)	(19,602)
(Increase) Decrease Deferred Revenue	0	0	0
(Increase) Decrease Taxes Receivable	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0
(Increase) Decrease Inventory	0	0	0
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Accounts Payable	8,028	(30,891)	(22,863)
Increase (Decrease) Payroll Taxes Payable	0	151	151
Increase (Decrease) Retainage Payable	0	0	0
Increase (Decrease) Deposits Payable	0	0	0
Increase (Decrease) Due to Other Funds	0	0	0
Increase (Decrease) Due to Other Govn't	0	0	0
Increase (Decrease) Accrued Employee Leave	0	2,182	2,182
Total Adjustments	(7,137)	(25,799)	(32,936)
Net Cash Provided by Operating Activities	\$ (53,536)	\$ (85,972)	\$ (139,508)

CITY OF WENATCHEE, WENATCHEE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT	FACILITY MAINTENANCE
ASSETS				
Current Assets:				
Cash	\$ 322,751	\$ 2,156,368	\$ 1,221,393	\$ 126,483
Investments	0	0	0	0
Accounts Receivable	0	0	0	600
Inventory of Material and Supplies	13,607	0	2,252	0
Restricted Assets:				
Cash	388,295	0	0	49,910
Total Current Assets	724,653	2,156,368	1,223,645	176,993
Non Current Assets:				
Capital Assets (Net)	533,320	0	1,613,116	0
Unamortized Bond Discount	0	0	0	0
Total Non Current Assets	533,320	0	1,613,116	0
Total Assets	1,257,973	2,156,368	2,836,761	176,993
LIABILITIES				
Current Liabilities:				
Accounts Payable	26,228	8,946	7,005	4,086
Wages and Benefits Payable	331	0	0	0
Compensated Absences - Current	0	0	0	0
Claims and Judgements Payable	0	100,000	0	0
Nonvoted G O Bonds Payable - Current	0	0	0	0
Total Current Liabilities	26,559	108,946	7,005	4,086
Non Current Liabilities				
Nonvoted G O Bonds Payable	0	0	0	0
Compensated Absences	45,952	0	0	0
Total Non Current Liabilities	45,952	0	0	0
Total Liabilities	72,511	108,946	7,005	4,086
NET ASSETS				
Invested in Capital Assets	533,320	0	1,613,116	0
Restricted	0	0	0	49,910
Unrestricted	652,142	2,047,422	1,216,640	122,997
Total Net Assets	\$ 1,185,462	\$ 2,047,422	\$ 2,829,756	\$ 172,907

**CITY OF WENATCHEE, WENATCHEE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006**

DATA PROCESSING		TOTAL	
\$	222,619	\$	4,049,614
	0		0
	0		600
	0		15,859
	20,451		458,656
	243,070		4,524,729
	197,488		2,343,924
	0		0
	197,488		2,343,924
	440,558		6,868,653
	9,451		55,716
	0		331
	0		0
	0		100,000
	0		0
	9,451		156,047
	0		0
	27,675		73,627
	27,675		73,627
	37,126		229,674
	197,488		2,343,924
	20,451		70,361
	185,493		4,224,694
\$	403,432	\$	6,638,979

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT	FACILITY MAINTENANCE
OPERATING REVENUES:				
Charges for Services	\$ 797,360	\$ 1,079,775	\$ 377,779	\$ 290,675
Miscellaneous	793	1,126	15,608	418
Total Operating Revenues	798,153	1,080,901	393,387	291,093
OPERATING EXPENSES:				
Operations and Maintenance	708,160	0	39,538	287,992
Payment of Premiums and Claims	0	601,238	0	0
General Administration	0	3,346	0	0
Depreciation/Amortization	39,313	0	235,913	0
Total Operating Expenses	747,473	604,584	275,451	287,992
OPERATING INCOME (LOSS)	50,680	476,317	117,936	3,101
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	33,429	83,711	67,339	9,945
Interest and Fiscal Charges	0	0	0	0
Gains (Losses) on Capital				
Asset Disposition	201	0	1,802	0
Capital Contributions	0	0	0	0
Non-Operating Revenues Net of Expenses	33,630	83,711	69,141	9,945
Net Income Before Operating Transfers	84,310	560,028	187,077	13,046
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
NET INCOME	84,310	560,028	187,077	13,046
NET ASSETS AT JANUARY 1	1,101,152	1,487,394	2,642,679	159,861
Prior Period Adjustment	0	0	0	0
NET ASSETS AT DECEMBER 31	\$ 1,185,462	\$ 2,047,422	\$ 2,829,756	\$ 172,907

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	DATA PROCESSING		TOTAL
\$	808,011	\$	3,353,600
	4,272		22,217
	<u>812,283</u>		<u>3,375,817</u>
	776,061		1,811,751
	0		601,238
	0		3,346
	<u>72,010</u>		<u>347,236</u>
	848,071		2,763,571
	(35,788)		612,246
	15,744		210,168
	0		0
	0		2,003
	<u>10,440</u>		<u>10,440</u>
	26,184		222,611
	(9,604)		834,857
	10,011		10,011
	<u>0</u>		<u>0</u>
	407		844,868
	403,025		5,794,111
	0		0
<u>\$</u>	<u>403,432</u>	<u>\$</u>	<u>6,638,979</u>

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT
Cash Flows From Operating Activities:			
Cash received from customers	\$ 797,360	\$ 1,079,775	\$ 377,779
Cash payments to vendors	(481,448)	(604,993)	(40,783)
Cash payments to employees	(222,577)	0	(20,325)
Other operating revenues	793	1,126	15,607
Net cash provided by operations	94,128	475,908	332,278
Cash Flows From Noncapital Financing Activities:			
Loans received from other funds	0	0	0
Repayment of loans received from other funds	0	0	0
Loans to other funds	0	0	0
Repayment of loans from other funds	0	0	0
Interest received on short term loans	0	0	0
Interest paid on short term loans	0	0	0
Transfers	0	0	0
Net cash provided by noncapital financing activities	0	0	0
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	0	0	(394,661)
Proceeds from issuance of Councilmanic Bonds	0	0	0
Interest & related charges on issuance of Bonds	0	0	0
Principal Payment on Bonds	0	0	0
Interest Payment on Bonds	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	202	0	6,570
Contributed capital by customers	0	0	0
Net cash used for capital and related financing activities	202	0	(388,091)
Cash Flows From Investing Activities:			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	33,429	83,711	67,340
Net cash provided (used) in investing activities	33,429	83,711	67,340
Net increase (decrease) in cash and cash equivalents	127,759	559,619	11,527
Cash and cash equivalents at beginning of year	583,287	1,596,749	1,209,866
Cash and cash equivalents at end of year	\$ 711,046	\$ 2,156,368	\$ 1,221,393

**CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006**

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 50,680	\$ 476,317	\$ 117,936
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	39,313	0	235,913
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0
(Increase) Decrease Inventory	500	0	0
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Vouchers Payable	2,835	(409)	(21,571)
Increase (Decrease) Wages Payable	179	0	0
Increase (Decrease) Due to Other Funds	0	0	0
Increase (Decrease) Accrued Employee Leave	621	0	0
Total Adjustments	43,448	(409)	214,342
Net Cash Provided by Operating Activities	<u>\$ 94,128</u>	<u>\$ 475,908</u>	<u>\$ 332,278</u>

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
Cash Flows From Operating Activities:			
Cash received from customers	\$ 290,675	\$ 808,011	\$ 3,353,600
Cash payments to vendors	(121,010)	(492,430)	(1,740,664)
Cash payments to employees	(172,977)	(283,498)	(699,377)
Other operating revenues	418	4,272	22,216
Net cash provided by operations	(2,894)	36,355	935,775
Cash Flows From Noncapital Financing Activities:			
Loans received from other funds	0	0	0
Repayment of loans received from other funds	0	0	0
Loans to other funds	0	0	0
Repayment of loans from other funds	0	0	0
Interest received on short term loans	0	0	0
Interest paid on short term loans	0	0	0
Transfers	0	10,011	10,011
Net cash provided by noncapital financing activities	0	10,011	10,011
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	0	(106,291)	(500,952)
Proceeds from issuance of Councilmanic Bonds	0	0	0
Interest & related charges on issuance of Bonds	0	0	0
Principal Payment on Bonds	0	0	0
Interest Payment on Bonds	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	0	0	6,772
Contributed capital by customers	0	10,440	10,440
Net cash used for capital and related financing activities	0	(95,851)	(483,740)
Cash Flows From Investing Activities:			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	9,945	15,744	210,169
Net cash provided (used) in investing activities	9,945	15,744	210,169
Net increase (decrease) in cash and cash equivalents	7,051	(33,741)	672,215
Cash and cash equivalents at beginning of year	169,342	276,811	3,836,055
Cash and cash equivalents at end of year	\$ 176,393	\$ 243,070	\$ 4,508,270

**CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2006**

	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 3,101	(35,788) \$	612,246
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	0	72,010	347,236
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0
(Increase) Decrease Inventory	0	0	500
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Vouchers Payable	(5,995)	3,541	(21,599)
Increase (Decrease) Wages Payable	0	0	179
Increase (Decrease) Due to Other Funds	0	0	0
Increase (Decrease) Accrued Employee Leave	0	(3,408)	(2,787)
Total Adjustments	(5,995)	72,143	323,529
Net Cash Provided by Operating Activities	\$ (2,894)	36,355 \$	935,775

**CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL PUBLIC ART SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Interest	\$ 600	\$ 1,944	\$ 2,544	\$ 3,788	\$ 1,244
Miscellaneous	40,000	50,000	90,000	88,030	(1,970)
Total Revenues	40,600	51,944	92,544	91,818	(726)
EXPENDITURES					
Culture & Recreation	11,500	0	11,500	8,945	2,555
Capital Outlay	29,100	56,900	86,000	56,911	29,089
Total Expenditures	40,600	56,900	97,500	65,856	31,644
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	0	(4,956)	(4,956)	25,962	30,918
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses					
	0	(4,956)	(4,956)	25,962	30,918
FUND BALANCE JANUARY 1,	45,744		45,744	45,744	0
FUND BALANCE DECEMBER 31, \$	<u>45,744</u>		<u>40,788</u>	<u>71,706</u>	<u>30,918</u>

CITY OF WENATCHEE, WASHINGTON
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 NON-MAJOR GOVERNMENTAL PATHS AND TRAILS SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental Revenue	\$ 1,700	\$ 0	\$ 1,700	\$ 1,719	\$ 19
Interest	300	0	300	558	258
Miscellaneous	0	0	0	0	0
Total Revenues	2,000	0	2,000	2,277	277
EXPENDITURES					
Culture & Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Total Expenditures	0	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000	0	2,000	2,277	277
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	0	0
Transfers out	0	0	0	0	0
Total Other Financing Sources	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,000	0	2,000	2,277	277
FUND BALANCE JANUARY 1,	11,899		11,899	11,899	0
FUND BALANCE DECEMBER 31, \$	<u>13,899</u>		<u>\$ 13,899</u>	<u>\$ 14,176</u>	<u>\$ 277</u>

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL HOTEL/MOTEL TAX-60% CAPITAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Taxes	\$ 160,000	\$ 0	\$ 160,000	\$ 193,584	\$ 33,584
Interest	600	0	600	4,195	3,595
Miscellaneous	0	0	0	0	0
Total Revenues	160,600	0	160,600	197,779	37,179
EXPENDITURES					
Culture & Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Debt Service:					
Interest	0	0	0	0	0
Total Expenditures	0	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	160,600	0	160,600	197,779	37,179
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	(170,681)	0	(170,681)	(170,681)	0
Total Other Financing Sources (Uses)	(170,681)	0	(170,681)	(170,681)	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(10,081)	0	(10,081)	27,098	37,179
FUND BALANCE JANUARY 1,	24,667		24,667	24,667	0
FUND BALANCE DECEMBER 31,	\$ 14,586		\$ 14,586	\$ 51,765	\$ 37,179

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL CONVENTION CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Taxes	\$ 340,000	\$ 0	\$ 340,000	\$ 407,281	\$ 67,281
Interest	11,200	0	11,200	12,402	1,202
Miscellaneous	179,000	0	179,000	181,051	2,051
Total Revenues	530,200	0	530,200	600,734	70,534
EXPENDITURES					
Culture & Recreation	353,447	20,000	373,447	406,979	(33,532)
Capital Outlay	85,000	93,000	178,000	133,422	44,578
Debt Service:					
Interest	0	0	0	0	0
Total Expenditures	438,447	113,000	551,447	540,401	11,046
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	91,753	(113,000)	(21,247)	60,333	(81,580)
OTHER FINANCING SOURCES (USES)					
Transfers In	170,681	0	170,681	170,681	0
Transfers Out	(323,305)	0	(323,305)	(323,305)	0
Capital Asset Disposition	0	0	0	356	356
Total Other Financing Sources (Uses)	(152,624)	0	(152,624)	(152,268)	356
Excess (Deficiency) of Revenues and					
Other Sources Over (Under)					
Expenditures and Other Uses	(60,871)	(113,000)	(173,871)	(91,935)	81,936
FUND BALANCE JANUARY 1,	403,716		403,716	403,716	0
FUND BALANCE DECEMBER 31,	\$ 342,845		\$ 229,845	\$ 311,781	\$ 81,936

CITY OF WENATCHEE, WASHINGTON
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 NON-MAJOR GOVERNMENTAL HOTEL/MOTEL 40% TOURISM SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Taxes	\$ 290,000	\$ 0	\$ 290,000	\$ 346,674	\$ 56,674
Interest	2,200	0	2,200	2,164	(36)
Miscellaneous	0	0	0	0	0
Total Revenues	292,200	0	292,200	348,838	56,638
EXPENDITURES					
Culture & Recreation	310,531	0	310,531	387,173	(76,642)
Capital Outlay	0	0	0	0	0
Debt Service:					
Interest	0	0	0	0	0
Total Expenditures	310,531	0	310,531	387,173	(76,642)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,331)	0	(18,331)	(38,335)	(20,004)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(18,331)	0	(18,331)	(38,335)	(20,004)
FUND BALANCE JANUARY 1,	61,270		61,270	61,270	0
FUND BALANCE DECEMBER 31,	\$ 42,939		\$ 42,939	\$ 22,935	\$ (20,004)

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL LEOFF 1 LONG-TERM CARE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	11,000	0	11,000	27,522	16,522
Miscellaneous	0	0	0	0	0
Total Revenues	11,000	0	11,000	27,522	16,522
EXPENDITURES					
Security of Persons & Property	110,000	42,900	152,900	157,830	(4,930)
Capital Outlay	0	0	0	0	0
Debt Service:					
Interest	0	0	0	0	0
Total Expenditures	110,000	42,900	152,900	157,830	(4,930)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,000)	(42,900)	(141,900)	(130,308)	11,592
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(99,000)	(42,900)	(141,900)	(130,308)	11,592
FUND BALANCE JANUARY 1,	590,609		590,609	590,609	0
FUND BALANCE DECEMBER 31,	<u>\$ 491,609</u>		<u>\$ 448,709</u>	<u>\$ 460,301</u>	<u>\$ 11,592</u>

**CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL STREET OVERLAY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Taxes	\$ 400,000	\$ 125,000	\$ 525,000	\$ 573,247	\$ 48,247
Intergovernmental	0	0	0	0	0
Interest	18,000	0	18,000	35,550	17,550
Miscellaneous	0	0	0	0	0
Total Revenues	418,000	125,000	543,000	608,797	65,797
EXPENDITURES					
Transportation	700,000	0	700,000	655,339	44,661
Capital Outlay	0	0	0	0	0
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Debt Issue Costs	0	0	0	0	0
Total Expenditures	700,000	0	700,000	655,339	44,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(282,000)	125,000	(157,000)	(46,542)	110,458
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers (Out)	0	0	0	0	0
General Obligation Bond Proceeds	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(282,000)	125,000	(157,000)	(46,542)	110,458
FUND BALANCE JANUARY 1,	640,204		640,204	640,204	0
FUND BALANCE DECEMBER 31,	<u>\$ 358,204</u>		<u>\$ 483,204</u>	<u>\$ 593,662</u>	<u>\$ 110,458</u>

**CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL ICE ARENA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Charges for Services	\$ 80,850	\$ 0	\$ 80,850	\$ 116,932	\$ 36,082
Interest	1,500	0	1,500	11,732	10,232
Miscellaneous	164,000	0	164,000	173,515	9,515
Total Revenues	246,350	0	246,350	302,179	55,829
EXPENDITURES					
Culture and Recreation	222,408	0	222,408	263,982	(41,574)
Capital Outlay	0	0	0	0	0
Total Expenditures	222,408	0	222,408	263,982	(41,574)
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,942	0	23,942	38,197	14,255
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	2,107	2,107
Transfers (Out)	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	2,107	2,107
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	23,942	0	23,942	40,304	16,362
FUND BALANCE JANUARY 1,	176,708		176,708	176,708	0
FUND BALANCE DECEMBER 31,	<u>\$ 200,650</u>		<u>\$ 200,650</u>	<u>\$ 217,012</u>	<u>\$ 16,362</u>

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL HOUSING REHABILITATION SPECAIL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental	\$ 441,000	\$ 32,100	\$ 473,100	\$ 455,630	\$ (17,470)
Interest	1,800	2,500	4,300	5,964	1,664
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	442,800	34,600	477,400	461,594	(15,806)
EXPENDITURES					
Economic Environment	555,000	(49,410)	505,590	177,795	327,795
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>206,389</u>	<u>(206,389)</u>
Total Expenditures	555,000	(49,410)	505,590	384,184	121,406
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,200)	84,010	(28,190)	77,410	105,600
OTHER FINANCING SOURCES (USES)					
Transfers in	0	20,309	20,309	0	(20,309)
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,235)</u>	<u>(14,235)</u>
Total Other Financing Sources (Uses)	0	20,309	20,309	(14,235)	(34,544)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(112,200)	104,319	(7,881)	63,175	71,056
FUND BALANCE JANUARY 1,	<u>129,739</u>		<u>129,739</u>	<u>129,739</u>	<u>0</u>
FUND BALANCE DECEMBER 31,	<u>\$ 17,539</u>		<u>\$ 121,858</u>	<u>\$ 192,914</u>	<u>\$ 71,056</u>

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL COMMUNITY CENTER OPERATIONS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	13,000	0	13,000	11,882	(1,118)
Miscellaneous	62,900	0	62,900	37,770	(25,130)
Total Revenues	75,900	0	75,900	49,652	(26,248)
EXPENDITURES					
Culture and Recreation	75,900	0	75,900	60,831	15,069
Capital Outlay	0	0	0	0	0
Total Expenditures	75,900	0	75,900	60,831	15,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	(11,179)	(11,179)
OTHER FINANCING SOURCES (USES)					
Transfers in	0	8,000	8,000	69,175	69,175
Transfers Out	0	(83,472)	(83,472)	(83,472)	(83,472)
Total Other Financing Sources (Uses)	0	(75,472)	(75,472)	(14,297)	(14,297)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	(75,472)	(75,472)	(25,476)	(25,476)
FUND BALANCE JANUARY 1,	272,494		272,494	272,494	0
FUND BALANCE DECEMBER 31,	<u>\$ 272,494</u>		<u>\$ 272,494</u>	<u>\$ 247,018</u>	<u>\$ (25,476)</u>

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL CDBG ENTITLEMENT SPECAIL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental	\$ 685,000	\$ (232,581)	\$ 452,419	\$ 104,287	\$ (348,132)
Interest	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	685,000	(232,581)	452,419	104,287	(348,132)
EXPENDITURES					
Economic Environment	101,500	11,000	112,500	13,725	98,775
Capital Outlay	283,500	(283,500)	0	0	0
Total Expenditures	385,000	(272,500)	112,500	13,725	98,775
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	300,000	39,919	339,919	90,562	(249,357)
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	0	0
Transfers Out	(300,000)	(39,919)	(339,919)	(325,021)	14,898
Total Other Financing Sources (Uses)	(300,000)	(39,919)	(339,919)	(325,021)	14,898
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses					
	0	0	0	(234,459)	(234,459)
FUND BALANCE JANUARY 1,	246,570		246,570	246,570	0
FUND BALANCE DECEMBER 31,	<u>\$ 246,570</u>		<u>\$ 246,570</u>	<u>\$ 12,111</u>	<u>\$ (234,459)</u>

CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL LEOFF 1 HEALTH CARE SPECAIL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	0	10,485	10,485
Miscellaneous	0	0	0	0	0
Total Revenues	0	0	0	10,485	10,485
EXPENDITURES					
Security of Persons & Property	542,500	0	542,500	480,293	62,207
Capital Outlay	0	0	0	0	0
Total Expenditures	542,500	0	542,500	480,293	62,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	(542,500)	0	(542,500)	(469,808)	72,692
OTHER FINANCING SOURCES (USES)					
Transfers in	542,500	0	542,500	542,499	(1)
Transfers	0	0	0	0	0
Total Other Financing Sources (Uses)	542,500	0	542,500	542,499	(1)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	0	0	72,691	72,691
FUND BALANCE JANUARY 1,	156,740		156,740	156,740	0
FUND BALANCE DECEMBER 31,	<u>\$ 156,740</u>		<u>\$ 156,740</u>	<u>\$ 229,431</u>	<u>\$ 72,691</u>

**CITY OF WENATCHEE, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL HOMELESS FUNDS SPECAIL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Intergovernmental	\$ 0	\$ 230,000	\$ 230,000	\$ 218,562	\$ (11,438)
Interest	0	0	0	809	809
Miscellaneous	0	0	0	0	0
Total Revenues	0	230,000	230,000	219,371	219,371
EXPENDITURES					
Economic Environment	0	120,340	120,340	15,007	105,333
Capital Outlay	0	0	0	0	0
Total Expenditures	0	120,340	120,340	15,007	105,333
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	109,660	109,660	204,364	324,704
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	0	0
Transfers	0	(13,800)	(13,800)	(14,394)	(594)
Total Other Financing Sources (Uses)	0	(13,800)	(13,800)	(14,394)	(594)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	95,860	95,860	189,970	94,110
FUND BALANCE JANUARY 1,	0		0	0	0
FUND BALANCE DECEMBER 31,	\$ 0		\$ 0	\$ 189,970	\$ 94,110

CITY OF WENATCHEE, WASHINGTON
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 NON-MAJOR GOVERNMENTAL UTGO BONDS
 DEBT SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Property Taxes	\$ 367,115	\$ 0	\$ 367,115	\$ 366,980	\$ (135)
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	367,115	0	367,115	366,980	(135)
EXPENDITURES					
Debt Service					
Principal	190,000	0	190,000	190,000	0
Interest	<u>177,115</u>	<u>0</u>	<u>177,115</u>	<u>177,419</u>	<u>(304)</u>
Total Expenditures	367,115	0	367,115	367,419	(304)
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	(439)	(439)
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	0	0
Transfer out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	0	0	(439)	(439)
FUND BALANCE JANUARY 1,	<u>(14,208)</u>		<u>(14,208)</u>	<u>(14,208)</u>	<u>0</u>
FUND BALANCE DECEMBER 31,	<u>\$ (14,208)</u>		<u>\$ (14,208)</u>	<u>\$ (14,647)</u>	<u>\$ (439)</u>

CITY OF WENATCHEE, WASHINGTON
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 NON-MAJOR GOVERNMENTAL LTGO BONDS
 DEBT SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	ADJUSTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Property Taxes	\$ 4,000	\$ 0	\$ 4,000	\$ 0	\$ (4,000)
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	4,000	0	4,000	0	(4,000)
EXPENDITURES					
Debt Service					
Principal	475,000	0	475,000	475,000	0
Interest	<u>294,818</u>	<u>0</u>	<u>294,818</u>	<u>295,600</u>	<u>(782)</u>
Total Expenditures	769,818	0	769,818	770,600	(782)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(765,818)	0	(765,818)	(770,600)	(4,782)
OTHER FINANCING SOURCES (USES)					
Transfers in	769,818	0	769,818	769,818	0
Transfer out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	769,818	0	769,818	769,818	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,000	0	4,000	(782)	(4,782)
FUND BALANCE JANUARY 1,	<u>16,363</u>		<u>16,363</u>	<u>16,363</u>	<u>0</u>
FUND BALANCE DECEMBER 31,	<u>\$ 20,363</u>		<u>\$ 20,363</u>	<u>\$ 15,581</u>	<u>\$ (4,782)</u>

CITY OF WENATCHEE, WA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended December 31, 2006

FUNCTION & ACTIVITY	Land	Buildings	Improvements Other Than Buildings	Machinery & Equipment
General Govn't				
Administrator	\$ 0	\$ 0	\$ 0	\$ 0
Council	370,217	447,516	170,234	99,950
Finance	0	0	0	51,719
Code Enforcement	0	0	0	0
Engineering	0	15,246	0	14,642
Total General Govn't	<u>370,217</u>	<u>462,762</u>	<u>170,234</u>	<u>166,311</u>
Security of Persons/Property				
Police	648,474	6,724,481	0	26,530
Columbia River Drug Task Force	0	0	0	0
Fire	0	390,663	31,409	136,188
Total Security Persons	<u>648,474</u>	<u>7,115,144</u>	<u>31,409</u>	<u>162,718</u>
Culture & Recreation				
Parks	2,452,439	468,065	516,260	34,501
Museum	0	284,517	0	25,240
Public Art	0	0	199,918	0
Ice Arena	0	2,756,618	0	5,292
Council	0	1,585,000	0	0
Community Center	0	3,612,993	0	0
Total Culture & Recreation	<u>2,452,439</u>	<u>8,707,193</u>	<u>716,178</u>	<u>65,033</u>
Highway & Streets				
Maintenance	0	17,430	0	9,334
Infrastructure	2,495,742	0	0	0
Total Highway & Streets	<u>2,495,742</u>	<u>17,430</u>	<u>0</u>	<u>9,334</u>
Economic Environment				
Convention Center	0	6,713,277	555,879	87,884
TOTAL GENERAL FIXED ASSETS	<u><u>\$ 5,966,872</u></u>	<u><u>\$ 23,015,806</u></u>	<u><u>\$ 1,473,700</u></u>	<u><u>\$ 491,280</u></u>

Infrastructure	Construction in Progress	Total
\$ 0	\$ 0	\$ 0
0	271,018	1,358,935
0	0	51,719
0	0	0
0	13,011	42,899
0	284,029	1,453,553
0	0	7,399,485
0	0	0
0	0	558,260
0	0	7,957,745
0	28,522	3,499,787
0	0	309,757
0	0	199,918
0	0	2,761,910
0	0	1,585,000
0	0	3,612,993
0	28,522	11,969,365
0	0	26,764
6,626,477	0	9,122,219
6,626,477	0	9,148,983
0	20,196	7,377,236
\$ 6,626,477	\$ 332,747	\$ 37,906,882

CITY OF WENATCHEE, WA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended December 31, 2006

FUNCTION & ACTIVITY	Balance @ 12/31/2005	Additions	Reductions	Balance @ 12/31/2006
General Govn't				
Administrator	\$ 0	\$ 0	\$ 0	\$ 0
Council	1,397,614	203,337	260,442	1,340,509
Finance	51,719	0	0	51,719
Code Enforcement	0	0	0	0
Engineering	29,888	13,011	0	42,899
Total General Govn't	<u>1,479,221</u>	<u>216,348</u>	<u>260,442</u>	<u>1,435,127</u>
Security of Persons/Property				
Police	7,399,485	0	0	7,399,485
Fire	558,260	0	0	558,260
Total Security Persons	<u>7,957,745</u>	<u>0</u>	<u>0</u>	<u>7,957,745</u>
Culture & Recreation				
Parks	3,500,415	9,372	0	3,509,787
Museum	309,757	0	0	309,757
Public Art	143,006	56,912	0	199,918
Ice Arena	2,761,910	0	0	2,761,910
Council	1,603,427	0	0	1,603,427
Community Center	2,527,208	1,300,914	215,131	3,612,991
Total Culture & Recreation	<u>10,845,723</u>	<u>1,367,198</u>	<u>215,131</u>	<u>11,997,790</u>
Highways & Streets				
Maintenance	26,764	0	0	26,764
Infrastructure	5,746,225	3,375,994	0	9,122,219
Total Highways & Streets	<u>5,772,989</u>	<u>3,375,994</u>	<u>0</u>	<u>9,148,983</u>
Economic Environment				
Convention Center	7,264,342	122,895	10,000	7,377,237
Total General Fixed Assets	<u>\$ 33,320,020</u>	<u>\$ 5,082,435</u>	<u>\$ 485,573</u>	<u>\$ 37,916,882</u>

CITY OF WENATCHEE, WA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2006

GENERAL FIXED ASSETS

Land	\$ 5,966,872
Buildings	23,015,806
Improvements Other Than Buildings	1,483,700
Machinery and Equipment	491,280
Infrastructure	6,626,477
Construction In Progress	332,746
	<hr/>
Total General Fixed Assets	\$ 37,916,881
	<hr/>

INVESTMENT IN GENERAL FIXED ASSETS FROM:

General Fund	\$ 14,782,013
Special Revenue Funds	23,094,539
Capital Projects Funds	0
Federal & State Grants	0
General Obligation Bonds	0
Special Assessments	0
Capital Lease	0
Private Gifts	40,329
	<hr/>
Total Investment in General Fixed Assets	\$ 37,916,881
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